

DELTA STATE UNIVERSITY



Financial Report July 1, 2016 – June 30, 2017



Delta State University

Office of the President

April 5, 2018

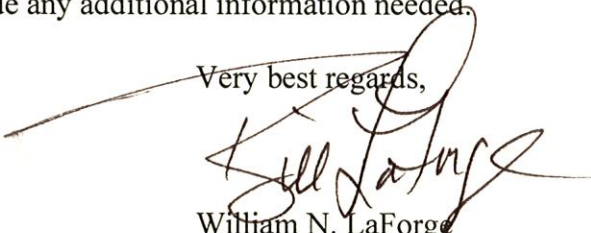
Members of the Board of Trustees
Mississippi Institutions of Higher Learning
3825 Ridgewood Road
Jackson, Mississippi 39211-6453

Ladies and Gentlemen:

Enclosed is the annual financial report of Delta State University for the fiscal period of July 1, 2016 through June 30, 2017.

We will be pleased to provide any additional information needed.

Very best regards,


William N. LaForge
President

Enclosure

April 3, 2018

William N. LaForge, University President
Delta State University
Box A-1
Cleveland, Mississippi 38733

Dear President LaForge:

I am pleased to present the annual financial report of Delta State University for the fiscal year ended June 30, 2017. The financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles.

The financial statements and accompanying notes will be included with the Mississippi Institutions of Higher Learning as a component unit of the state government. The Consolidated Annual Financial Report will be audited by the Mississippi State Department of Audit.

If you need additional information, please do not hesitate to contact me.

Sincerely,



James R. Rutledge
Vice President
Finance & Administration
Chief Financial Officer

JR/bl

Enclosure

DELTA STATE UNIVERSITY

FINANCIAL STATEMENTS

June 30, 2017

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DELTA STATE UNIVERSITY

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Delta State University herein presents its financial statements for fiscal year 2017, with fiscal year 2016 prior year data presented for comparative purposes. There are three financial statements: 1) the Statement of Net Position; 2) the Statement of Revenues, Expenses and Changes in Net Position and; 3) the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles which establish standards for external financial reporting for public colleges and universities. GASB requires financial statements be presented on a consolidated basis, focusing on the university as a whole. All of the following dollar amounts are presented in thousands of dollars. The purpose of this discussion and analysis is to provide an overview of university's financial condition.

Statement of Net Position

The Statement of Net Position presents the Assets (current and noncurrent), deferred outflows, Liabilities (current and noncurrent), deferred inflows, and Net Position (assets and deferred outflows minus liabilities and deferred inflows) as of the end of the fiscal year. The purpose of the Statement of Net Position is to provide the readers of the financial statements with an understanding of Delta State University's finances as of June 30, 2017.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the university. They are also able to determine how much the university owes vendors, investors, and lending institutions.

The Statement of Net Position provides a picture of the net assets available for expenditure by the university. The difference between total assets and total liabilities, or net assets, is one indicator of the current financial condition of the university, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

Net Position is divided into three major categories. The first category, invested in capital assets, net of debt, provides the university's equity in property, plant, and equipment. The second asset category is restricted net assets, nonexpendable and expendable. Nonexpendable restricted resources are only available for investment purposes. Expendable restricted net assets are available for expenditure by the university but must be spent for purposes as determined by donors and/or external entities that have placed time or restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose.

A summarized comparison of the university's assets, liabilities, and net assets at June 30, 2016 and 2017 is as follows:

Statement of Net Position (thousands of dollars)		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets and Deferred Outflows		
Current assets	\$ 11,727	\$ 11,194
Capital assets, net	119,209	118,290
Other assets	4,900	7,217
Deferred Outflows	<u>9,317</u>	<u>7,371</u>
Total Assets and Deferred Outflows	<u>145,153</u>	<u>144,072</u>
Liabilities and Deferred Inflows		
Current liabilities	4,749	5,612
Noncurrent liabilities	64,973	62,819
Deferred Inflows	<u>1,092</u>	<u>1,565</u>
Total Liabilities and Deferred Inflows	<u>70,814</u>	<u>69,995</u>
Net Position		
Invested in capital assets, net of debt	103,401	99,609
Restricted – expendable	815	1,675
Unrestricted	<u>(29,876)</u>	<u>(27,207)</u>
Total Net Position	<u>\$ 74,340</u>	<u>\$ 74,077</u>

A review of the university's Statement of Net Position at June 30, 2017 and 2016 shows that the university is financially stable. Total net assets increased by \$1,081, due to primarily an increase in unrestricted net assets.

Current assets consist of cash and short term investments, accounts receivable, student notes receivable, inventories, and pre-paid expenses. Total current assets Increased by \$533. This Increase was the result of an increase in Accounts Receivable as well as an increase in Inventories.

Current liabilities consist of accounts payable, the current portion of accrued leave liabilities, the current portion of long-term liabilities, and deferred revenue. Total current liabilities decreased by \$862 as a result of a decrease in Accounts Payable and Accrued Liabilities.

Noncurrent assets are comprised of restricted cash and cash equivalents, endowment investments, long-term investments, student notes receivable, deferred cash inflows and capital assets, net of accumulated depreciation. There was a \$1,398 decrease in noncurrent assets during FY2017, due largely to a decrease in long term investments. Additional information regarding the university's Capital Assets may be found in Note 6 in the Notes to the Financial Statements.

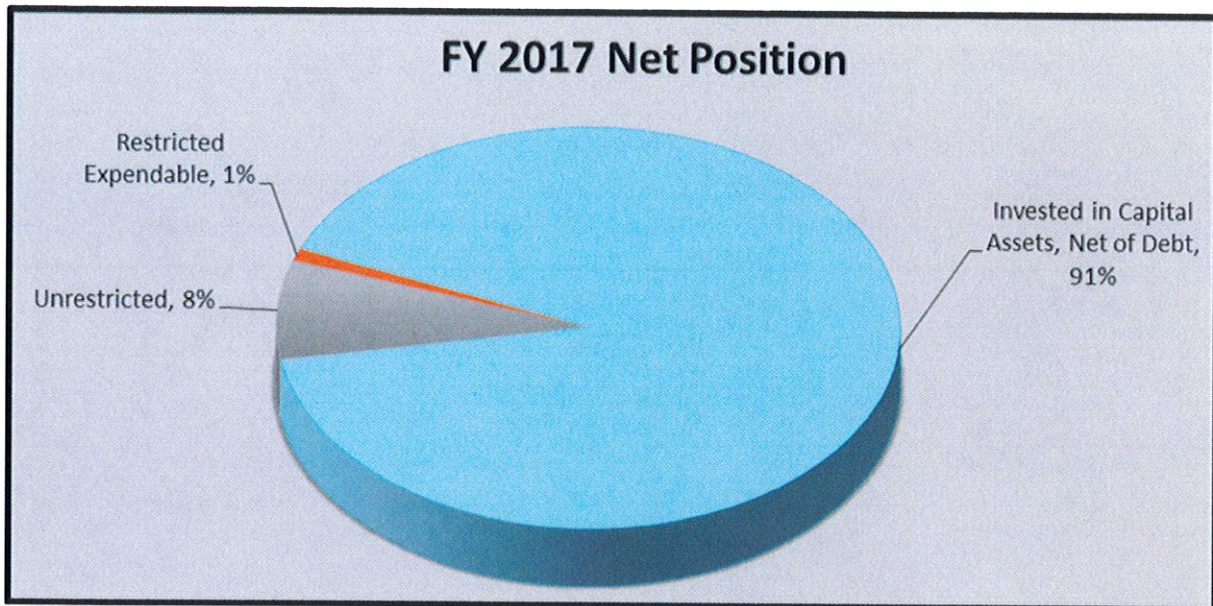
Noncurrent liabilities are primarily made up of accrued leave and long-term liabilities. Accrued leave increased by \$126 the result of an increase in the net pension liability and major medical leave balances of university employees. Long-term liabilities Increased by \$53,801. This substantial increase was the result of increase of Net Pension Liability. Detailed information regarding long-term liabilities can be found in Note 7 in the Notes to the Financial Statements.

Net Position represents the residual interest in the university's assets plus deferred outflows and deferred inflows after liabilities are deducted. Net Position is presented in three categories: capital assets, restricted and unrestricted assets.

Net Position invested in capital assets represent the university's capital assets net of accumulated depreciation and outstanding principal balance of debt attributable to the acquisition, construction, or improvement of those assets. Net Position invested in capital assets Increased in FY2017 by \$3,792.

Restricted expendable Net Position is subject to externally imposed restrictions governing their use. This category includes \$799 for capital projects; \$15 for loans.

Unrestricted Net Position is not subject to externally imposed restrictions. The university has designated the \$(30) million unrestricted balance to inventories \$372, encumbrances \$79, and equipment replacement \$500 with the remaining funds \$(31) million for undesignated purposes.



Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues received by the university, both operating and nonoperating, and the expenses paid by the university, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the university.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the university. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the university. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the university without the Legislature directly receiving goods and services for those revenues.

A summarized comparison of the university's revenues, expenses, and changes in net assets for the years ended June 30, 2017 and 2016 is as follows:

Statement of Revenues, Expenses and Changes in Net Position
(thousands of dollars)

	For the Year Ended <u>June 30, 2017</u>	<u>June 30, 2016</u>
Operating revenues	\$ 34,914	\$35,601
Operating expenses	<u>70,757</u>	<u>66,615</u>
Operating loss	(35,843)	(31,014)
Nonoperating revenues and expenses	<u>33,189</u>	<u>20,090</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(2,653)	(10,294)
Increase (Decrease) in Net Assets	(608)	(1,850)
Net Position at Beginning of Year, Restated	74,077	75,829
Cumulative Effects of Change in Accounting Principle	870	98
Prior Period Adj	0	0
Net Position at End of Year	\$ <u>74,340</u>	<u>\$74,077</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a \$263 thousand increase in the net assets at the end of the year. Some other highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Assets follow.

Federal grants and contracts (7% of total operating revenues) decreased by \$510

State grants and contracts (4% of total operating revenues) decreased by \$31.

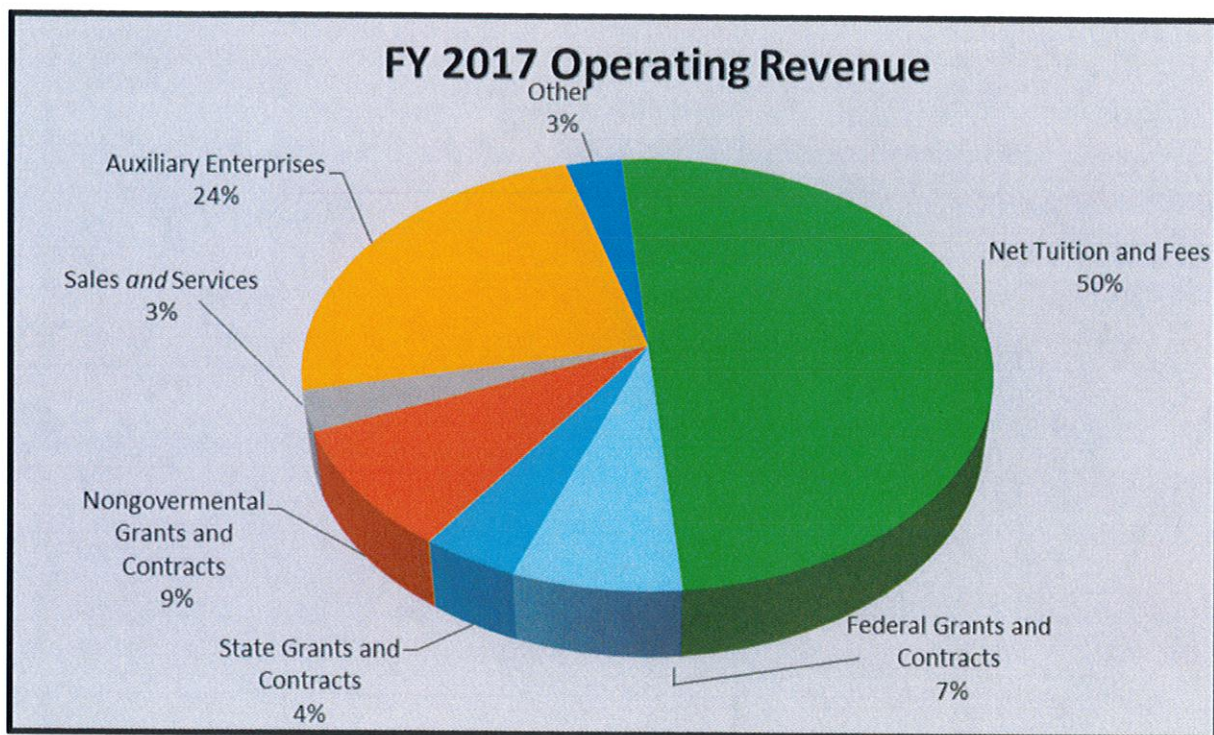
Nongovernmental grants and contracts (9% of total operating revenues) decreased by \$905.

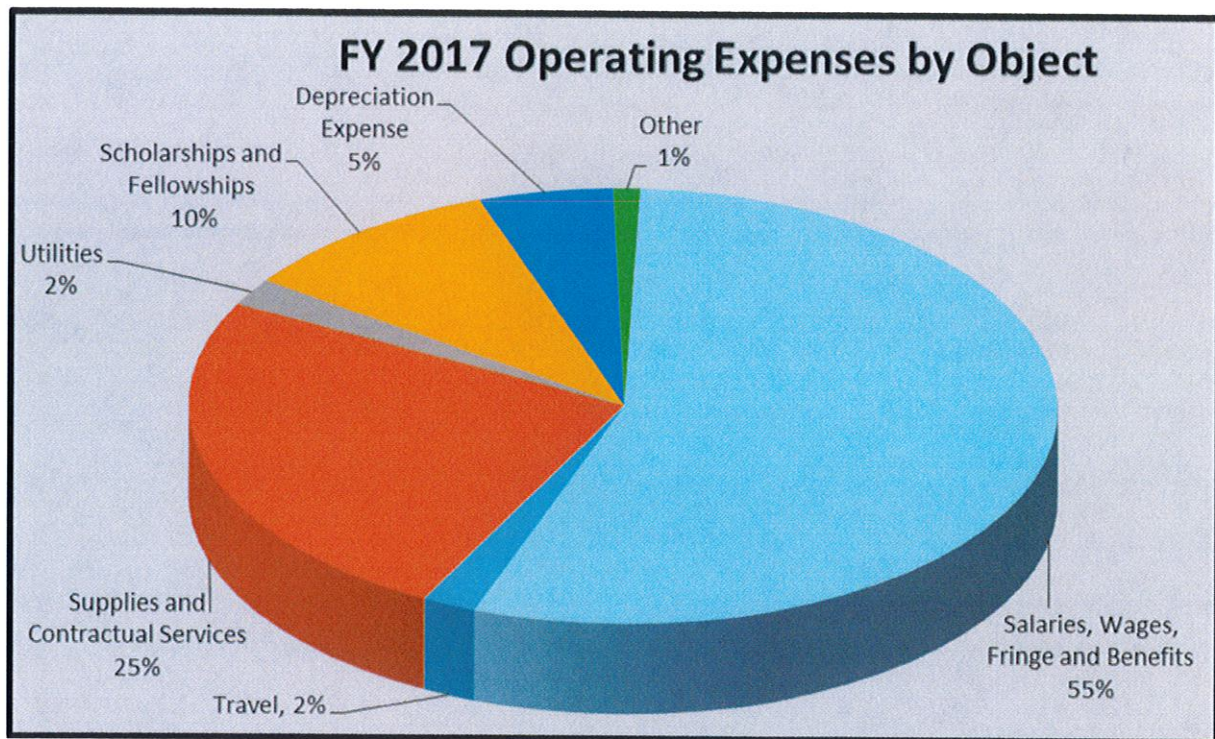
Revenue from tuition and fees, net of scholarship allowances, increased \$1,365 during the year. Net tuition represents 50% of total operating revenues. Full-time

tuition was \$3,149 per semester reflecting a 7% increase over the previous year. The increase in net tuition was reflective of the \$400 decrease in Scholarship Allowances.

Operating expenses are comprised of salaries, wages, and fringe benefits (55%), travel (2%), supplies and contractual services (19%), scholarships and fellowships (10%), and depreciation (5%). Utility expenditures (2%), Operating expense increased by \$4,141, primarily due to Increase in fringes and Contractual Services.

State appropriations restricted for capital purposes decreased by \$7 million from the previous year. Funding for new construction and renovation of academic buildings is appropriated by the Legislature through the state Office of Building, Grounds, and Real Property Management.





Statement of Cash Flows

The final statement presented is the Statement of Cash Flows, which provides additional detailed information by reporting the major sources and uses of cash during the year. The Statement of Cash Flows also helps users assess the university's ability to generate future net cash flows, the ability to meet obligations as they come due, and the need for external financing. The statement is divided into five sections. The first section deals with operating cash flows and the net cash used in the university's operating activities. The second section presents cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used in the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

A comparative summary of the Statement of Cash Flows for the years ended June 30, 2016 and 2017 is shown below.

Statement of Cash Flows
(thousands of dollars)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash provided (used) by:		
Operating activities	\$(31,184)	\$(27,388)
Noncapital financing activities	27,042	31,978
Capital financing activities	1,463	(3,830)
Investing activities	<u>2,000</u>	<u>(1,701)</u>
Net Change in cash	(679)	3,066
Cash, beginning of year	<u>4,353</u>	<u>1,287</u>
Cash, end of year	<u>\$ 3,674</u>	<u>\$ 4,353</u>

The university's cash and cash equivalents decreased \$679. Cash received from operations primarily consists of student tuition and fees and sponsored grants and contracts. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include \$22,736 in State of Mississippi appropriations.

Capital Asset and Debt Administration

During fiscal year 2017, Delta State University issued additional long-term debt. For additional information concerning capital assets and debt administration, see Notes 6 and 9 in the Notes to the Financial Statements.

Economic Outlook

The economic position of Delta State University is closely tied to that of the State of Mississippi. State appropriations, the largest single source of funding, comprise approximately 35% of total revenues. State appropriations did not change. State appropriations are expected to remain essentially the same in FY2018. The university's governing board increased tuition by \$210 in 2017 & \$0 in 2016. Given these challenges and uncertainties, the university will continue its cost-containment and efficiency efforts to preserve the ability to deliver mission-critical activities of instruction and public service in the Delta region. Delta State University will maintain a close watch over its resources, remaining prepared to respond to internal and external financial challenges as they arise.

Jamie Rutledge, CPA
Vice President, Finance & Administration
& Chief Financial Officer

DELTA STATE UNIVERSITY

STATEMENT OF NET POSITION

		June 30,	
		2017	2016
Assets			
Current Assets:			
Cash and Cash Equivalents	\$	4,588,266	\$ 4,978,332
Short Term Investments		137,461	137,462
Accounts Receivables, Net		6,221,041	5,456,550
Student Notes Receivables, Net		333,006	333,632
Inventories		395,049	213,550
Prepaid Expenses		52,525	74,973
Other Current Assets		-	-
Total Current assets		11,727,349	11,194,499
Non-Current Assets:			
Restricted Cash and Cash Equivalents		(914,268)	(625,244)
Endowment Investments		-	-
Other Long Term Investments		4,633,141	6,658,976
Student Notes Receivable, Net		1,180,658	1,182,878
Capital Assets, Net		119,209,374	118,290,467
Other Noncurrent Assets		-	-
Total Non-Current assets		124,108,905	125,507,077
Total Assets	\$	135,836,254	\$ 136,701,576
Deferred Outflows of Resources			
Difference between expected and actual experience	\$	1,336,412	\$ 984,132
Changes in proportionate share	\$	(651,408)	\$ 123,279
Contributions subsequent to the measurement date	\$	2,602,302	\$ 2,629,908
Changes in assumptions	\$	2,297,837	\$ 3,633,785
Accumulated deferred amount of debt refundings		-	\$ -
Other deferred outflows of resources	\$	3,732,082.00	\$ -
Total deferred outflows of resources	\$	9,317,225	\$ 7,371,104
Total assets and deferred outflows of resources	\$	145,153,479	\$ 144,072,680
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$	2,463,386	\$ 3,242,587
Unearned Revenues		739,423	885,585
Accrued Leave Liabilities - Current Portion		247,126	238,236
Long Term Liabilities - Current Portion		1,299,034	1,245,233
Other Current Liabilities		-	-
Total Current liabilities		4,748,969	5,611,641

Non-Current Liabilities:

DELTA STATE UNIVERSITY

STATEMENT OF NET POSITION

	June 30,	
	2017	2016
Net Pension Liability	47,229,075	42,181,402
Deposits Refundable	110,527	128,195
Accrued Leave Liabilities	1,372,828	1,246,536
Long Term Liabilities	14,361,541	17,335,575
Other Non-Current Liabilities	1,898,548	1,927,036
Total Non-Current liabilities	64,972,519	62,818,744
Total Liabilities	\$ 69,721,488	\$ 68,430,385
Deferred Inflows of Resources		
Difference between projected and actual earnings on pension plan	\$ 1,092,350	\$ 1,565,206
Total liabilities and deferred inflows of resources	\$ 70,813,838	\$ 69,995,591
Net Position:		
Net Invested in Capital Assets	\$ 103,401,298	\$ 99,609,604
Restricted for:		
Nonexpendable -		
Scholarships and Fellowships		
Research		
Other Purposes		
Expendable -		
Scholarships and Fellowships		
Research		
Capital Projects	741,659	
Debt Service	57,487	1,384,151
Loans	-	-
Other Purposes	15,188	291,146
Unrestricted	(29,875,991)	(27,207,812)
Total Net Position	\$ 74,339,641	\$ 74,077,089

DELTA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30,	
	2017	2016
Operating Revenues:		
Tuition and Fees	\$22,050,401	\$21,140,848
Less: Scholarship Allowances	(\$4,420,607)	(\$4,820,284)
Less: Bad Debt Expenses	(\$5,405)	(\$61,064)
Net Tuition and Fees	<u>\$17,624,390</u>	<u>\$16,259,499</u>
Federal Appropriations		
Federal Grants and Contracts	\$2,527,863	\$3,037,909
State Grants and Contracts	\$1,433,969	\$1,464,740
Nongovernmental Grants and Contracts	\$3,129,441	\$4,034,356
Sales and Services of Educational Departments	\$1,174,913	\$1,327,213
Auxiliary Enterprises:		
Student Housing	\$3,854,914	\$3,706,949
Food Services	\$2,319,224	\$2,966,428
Bookstore	\$344,280	\$107,667
Athletics		
Other Auxiliary revenues	\$1,710,807	\$1,785,193
Less: Auxiliary Enterprise Scholarship Allowances	\$0	\$0
Interest Earned on Loans to Students	\$24,706	\$23,565
Other Operating Revenues, Net	<u>\$770,021</u>	<u>\$888,082</u>
Total Operating Revenues	<u>\$34,914,527</u>	<u>\$35,601,601</u>
Operating Expenses:		
Salaries and Wages	\$27,732,789	\$27,351,881
Fringe Benefits	\$11,102,192	\$9,854,558
Travel	\$1,739,880	\$1,465,357
Contractual Services	\$13,763,079	\$11,933,752
Utilities	\$1,593,533	\$1,630,696
Scholarships and Fellowships	\$6,857,106	\$6,337,547
Commodities	\$4,202,453	\$4,171,584
Depreciation/Amortization Expense	\$3,766,069	\$3,863,405
Other Operating Expense	<u>\$0</u>	<u>\$6,894</u>
Total Operating Expenses	<u>\$70,757,102</u>	<u>\$66,615,674</u>
Operating Income (Loss)	<u>(\$35,842,575)</u>	<u>(\$31,014,072)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	\$21,298,321	\$22,735,982
Gifts and Grants	\$5,902,539	\$6,083,852
Investment Income (Loss)	\$134,903	\$232,354
Other Nonoperating Revenues	\$5,853,422	\$2,767,084
Other Nonoperating Expenses	<u>\$0</u>	<u>(\$11,728,907)</u>
Total Net Nonoperating Revenues (Expenses)	<u>\$33,189,185</u>	<u>\$20,090,365</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	<u>(\$2,653,391)</u>	<u>(\$10,923,708)</u>
Capital Grants and Gifts		
State Appropriations Restricted for Capital Purposes	\$2,045,700	\$9,048,223
Additions to Permanent Endowments		
Other Additions		\$25,000
Other Deletions		<u>\$0</u>
Net Increase in Net Assets	<u>(\$607,691)</u>	<u>(\$1,850,484)</u>
Net Position		
Net Position - Beginning of Year, as Originally Reported	\$74,077,089	\$75,829,756
Cumulative Effects of Changes in Accounting Principle		
Prior Period Adjustments	\$870,242	\$97,817
Net Position - Beginning of Year, as Restated	<u>\$74,947,332</u>	<u>\$75,927,573</u>
Net Position - End of Year	<u>\$74,339,641</u>	<u>\$74,077,089</u>

DELTA STATE UNIVERSITY STATEMENT OF CASH FLOWS

	<u>2017</u>
Cash Flows from Operating Activities:	
Tuition and Fees	\$17,624,390
Grants and Contracts	\$7,091,273
Sales and Services of Educational Departments	\$1,174,913
Payments to Suppliers	(\$19,399,501)
Payments to Employees for Salaries and Benefits	(\$38,834,981)
Payments for Utilities	(\$1,593,533)
Payments for Scholarships and Fellowships	(\$6,857,106)
Loans Issued to Students and Employees	\$0
Collection of Loans to Students and Employees	\$360,558
Auxiliary Enterprise Charges:	
Student Housing	\$3,911,516
Food Services	\$2,319,224
Bookstore	\$344,280
Other Auxiliary Enterprises	\$1,635,392
Other Receipts	\$1,038,647
Other Payments	\$0
Net Cash Provided (Used) by Operating Activities	<u>(\$31,184,929)</u>
Cash Flows from NonCapital Financing Activities:	
State Appropriations	\$22,735,982
Gifts and Grants for Other Than Capital Purposes;	\$2,087
Private Gifts for Endowment Purposes	\$0
Federal Loan Program Receipts	\$16,335,111
Federal Loan Program Disbursements	(\$12,698,436)
Other Sources	\$667,492
Other Uses	\$0
Net Cash Provided by Noncapital Financing Activities	<u>\$27,042,235</u>
Cash Flows from Capital Financing Activities:	
Proceeds from Capital Debt	\$0
Cash Paid for Capital Assets	(\$438,258)
Capital Appropriations Received	\$2,045,700
Capital Grants and Contracts Received	\$0
Proceeds from Sales of Capital Assets	\$0
Principal Paid on Capital Debt and Leases	(\$1,288,413)
Interest Paid on Capital Debt and Leases	(\$785,649)
Other Source	\$1,930,224
Other Uses	\$0
Net Cash Used by Capital and Related Financing Activities	<u>\$1,463,603</u>
Cash Flows from Investing Activities:	
Proceeds from Sales and Maturities of Investments	\$7,000,000
Purchases of Investments	(\$5,000,000)
Net Cash Provided by Investing Activities	<u>\$2,000,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(\$679,090)
Cash and Cash Equivalents - Beginning of the Year	\$4,353,088
Cash and Cash Equivalents - End of the Year	<u>\$3,673,998</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	(\$35,842,575)

Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation/Amortization Expense	\$3,766,069
Other	\$0
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables, Net	(\$765,116)
Inventories	(\$181,499)
Prepaid Expenses	\$445,489
Other Assets	\$0
Increase (Decrease) in Liabilities:	
Accounts Payables and Accrued Liabilities	(\$723,372)
Deferred Revenues	(\$146,159)
Deposits Refundable	\$0
Accrued Leave Liability	\$2,754,987
Loans to Students and Employees	\$0
Other Liabilities	(\$492,752)
Total Adjustments:	<u>\$4,657,647</u>
Net Cash Provided (Used) by Operating Activities:	<u><u>(\$31,184,929)</u></u>

ENTER NON-CASH TRANSACTIONS BELOW: (See GASB #9, Paragraph 37)

1.) State Appropriations Restricted for Capital Purposes	2,045,700
2.) Unrealized Gain/(Loss) on Fair Value of Investments	0
4.) Bureau of Buildings and Grounds Construction-in-Progress	24,683,007
6.) New Capital Leases	
8.) Provision for Bad Debts	61,064
9.) Capital Assets Acquired from Capital Leases	

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

- A. **Nature of Operations** – Delta State University is a regional university serving the state, nation and international communities by providing academic instruction, research and service programs.
- B. **Reporting Entity** - Delta State University was created as Delta State Teachers College by Senate Bill Number 263, Chapter 284, signed on April 9, 1924. On March 15, 1974, the institution was officially designated Delta State University to reflect its growth and expanded scope. Delta State, located in Cleveland, Mississippi, serves as an educational and cultural center of the Mississippi Delta. The University offers undergraduate, graduate, and continuing education programs of study leading to degrees from the baccalaureate to the doctoral level.

Delta State University has established its own educational building corporation (a nonprofit corporation incorporated in the State of Mississippi) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of this corporation is to acquire, construct, and equip facilities and land for the university. In accordance with Governmental Accounting Standards Board Statement Number 14, this educational building corporation is deemed a component unit of the State of Mississippi Institutions of Higher Learning and is included as a blended component unit in the general purpose financial statements.

Delta State University is a component unit of the State of Mississippi and is included in the general purpose financial statements of the State of Mississippi Institutions of Higher Learning.

- C. **Basis of Presentation** – The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35 *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999. The University now follows the "business type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the University's financial activities.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

- D. **Basis of Accounting** – The financial statements of the University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. All significant intra-agency transactions have been eliminated.
- E. **Cash Equivalents** – For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- F. **Investments** – The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets. Investments for which there are no quoted market prices are not material.
- G. **Accounts Receivable, Net** – Accounts receivable consist of tuition and fee charges to students. Accounts receivable also include amounts due from federal and state governments and nongovernmental sources in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.
- H. **Student Notes Receivable, Net** - Student notes receivable consist of federal, state, and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances that are expected to be paid during the next fiscal year are presented on the Statement of Net Assets as Current Assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as Non-Current Assets on the Statement of Net Assets.
- I. **Inventories** – Inventories consist of Copy Center (office and photocopy supplies) and Facilities Management (janitorial, maintenance and replacement parts). These inventories are generally valued at the lower of cost or market, on the average cost basis.
- J. **Prepaid Expenses** – Prepaid expenses consist of expenditures related to projects, programs, and activities that are related to future fiscal periods.
- K. **Non-Current Cash and Investments** – Cash investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or non-current assets are classified as non-current assets in the Statement of Net Assets.
- L. **Capital Assets** – Capital Assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional categories. See Note #6 for additional details concerning useful lives, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

- M. **Collections** – On occasion, institutions may obtain collections of art or historical treasures (usually as private donations to the institution). These collections are usually held for public exhibition, education or research. The institutions are not required to capitalize these collections and in practice generally do not capitalize their value in the financial presentation.
- N. **Accounts Payable and Accrued Liabilities** – Accounts payable and accrued liabilities consist of amounts owed to vendors, contractors, or accrued items such as interest, salaries, and wages.
- O. **Income Taxes** – Each Mississippi public institution of higher learning is considered a state agency and is treated as a governmental entity for tax purposes. As such, they are generally not subject to federal and state income taxes. However, these institutions do remain subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which the institution was granted exemption. No income tax provision has been recorded because, in the opinion of management, there is no significant amount of taxes on such unrelated business income.
- P. **Deferred Revenues** – Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- Q. **Compensated Absences** – Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated leave.

Nine-month employees earn major medical leave at a rate of 13-1/3 hours per month for one month to three years of service; 14-1/5 hours per month for three to eight years of service; 15-2/5 hours per month for eight to 15 years of service; and from 15 years of service and over, 16 hours per month are earned. There is no limit on the accumulated of major medical leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

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Notes to Financial Statements For the Year Ended June 30, 2017

- R. **Deposits Refundable** – Deposits refundable represent good faith deposits from students to reserve housing assignments, key deposits, and breakage deposits in a university system residence hall.
- S. **Non-Current Liabilities** – Non-Current liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.
- T. **Classification of Revenues and Expenses** – The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating Revenues and Expenses: Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as exchanges in which two or more entities both receive and sacrifice value, such as purchases and sales of goods and services. Examples of operating revenues include (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) most federal, state and private grants and contracts, and (4) other operating revenues. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies and other services; (4) professional fees; and (5) depreciation expense related to certain capital assets.

Non-Operating Revenues and Expenses: Non-operating revenues and expenses have the characteristics of non-exchange transactions. Examples of non-operating revenues include state appropriations, gifts, and contributions. Examples of non-operating expenses include interest on capital assets and bond expenses. Non-operating revenues and expenses are defined by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34.

- U. **Scholarship Discounts and Allowances** – Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid not considered to be third party aid.

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Notes to Financial Statements For the Year Ended June 30, 2017

V. Auxiliary Enterprise Activities – Auxiliary enterprises typically exist to furnish goods or services to students, faculty, or staff, and generally charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. One distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities (e.g., residence halls and food services). The general public may be served incidentally by auxiliary enterprises.

W. Equity Classifications – Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

Net investments in capital assets – consist of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is for a specific purpose and funds held in Federal loan programs. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the university. The unrestricted net position balance of (\$29,875,991) at June 30, 2017, includes \$395,049 reserved for inventories; \$79,252 reserved for encumbrances; \$500,000 reserved for equipment; with (\$30,850,292) remaining for other purposes. The unrestricted net position balance of (\$27,207,812) at June 30, 2016, includes \$213,550 reserved for inventories; \$221,444 reserved for encumbrances; \$500,000 reserved for equipment; with (\$28,142,806) remaining for other purposes.

X. Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 2 - Prior Period Adjustments

For the year ended June 30, 2017 and 2016, respectively, the institution recorded the following prior period adjustments:

	Additions (Deductions)	
	At June 30, 2017	At June 30, 2016
Corrections to Loan Fund Balance	\$	\$25,000
Correction of Prior Year Receivables	\$870,242.31	\$72,817
Reversal of Uncollectable Receivables	\$0	\$0
GASB 68 - Pension Liab.	\$0	\$0
Total Adjustments	<u>\$870,242.31</u>	<u>\$97,817</u>

Note 3 - Cash and Investments

Policies:

- A. **Cash and Short-Term Investments** – Investment policies for cash and short-term investments as set forth by the IHL Board of Trustees policy and state statute authorize the University to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U. S. Treasury bills and notes, and repurchase agreements.

For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowments are included in Non-Current Investments.

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the University's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

- B Investments** – Investment policy at each university is governed by state statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998. An institution may at its discretion adopt policies affecting investments beyond the standards cited above.

The following table presents the fair value of investments by type at June 30:

<u>Investment Type</u>	<u>2017</u>	<u>2016</u>
U.S. Government Agency Obligations	\$2,323,816	\$4,021,571
State Municipal Bonds	\$497,813	\$146,333
Mortgage Backed Securities	\$1,738,638	\$2,202,123
Certificates of Deposit	\$137,461	\$137,461
Money Market	\$72,874	\$288,949
Total	<u>\$4,770,602</u>	<u>\$6,796,438</u>

Interest Rate Risk

Per GASB Statement No. 40, Interest Rate Risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. The State of Mississippi Institutions of Higher Learning does not presently have a formal policy that addresses interest rate risk.

As of June 30, 2017, the University had the following investments subject to interest rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Government Agency Obligations	\$2,323,816	\$500,546	1,323,166	500,104	\$0
State Municipal Bonds	\$497,813	0	497,813		
Mortgage Backed Bonds	\$1,738,638	0	551,800	21,868	\$1,164,970
Certificates of Deposit	137,461		137,461		
Money Market	\$72,874		72,874		
Total	<u>\$4,770,602</u>	<u>\$500,546</u>	<u>\$2,583,114</u>	<u>\$521,972</u>	<u>\$1,164,970</u>

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 2017

As of June 30, 2016, the University had the following investments subject to interest rate risk:

Investment Type	Fair	Investment Maturities (in years)			
	Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Agency Obligations	\$4,021,571	\$0	\$2,566,478	\$1,455,093	\$0
State Municipal Bonds	146,333	0	146,333		
Mortgage Backed Bonds	2,202,123	0	1,614,565	587,558	
Certificates of Deposit	137,461		137,461		
Money Market	288,949		288,949		
Total	\$6,796,438	\$0	\$4,753,786	\$2,042,651	\$0

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 2017

Fair Value Measurement	2017			
	Level 1	Level 2	Level 3	Total
U.S. Government Securities	\$2,323,816			\$2,323,816
Corporate bonds				
Certificate of Deposit	\$137,461			\$137,461
Other fixed income securities	\$570,687	\$1,738,638		\$2,309,325
Total fixed income	3,031,964	1,738,638		\$4,770,602
Total	\$3,031,964	\$1,738,638		\$4,770,602

Fair Value Measurement	2016			
	Level 1	Level 2	Level 3	Total
U.S. Government Securities	\$4,021,571			\$4,021,571
Corporate bonds	137,461			137,461
Certificate of Deposit				
Other fixed income securities	435,282	2,202,123		2,637,405
Total fixed income	\$4,594,314	\$2,202,123		\$6,796,437
Total	\$4,594,314	\$2,202,123		\$6,796,437

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Credit Risk

The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses credit risk. As of June 30, 2017 and 2016, respectively, the University had the following investment credit risk:

<u>Rating</u>	<u>Fair Value at June 30, 2017</u>	<u>Fair Value at June 30, 2016</u>
AAA	\$4,770,602	\$6,796,438
Total	<u>\$4,770,602</u>	<u>\$6,796,438</u>

The credit risk rating listed above is issued upon standards set by Standard and Poor's.

Concentration of Credit Risk

Per GASB Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses Concentration of Credit Risk. At June 30, the University's funds were invested as follows:

<u>Issuer</u>	<u>2017</u>	<u>%</u>	<u>2016</u>	<u>%</u>
Certificate of Deposit & Money Market	\$210,335	4.41%	\$274,924	4.05%
Federal Farm Credit Bank Funding Corp	\$1,323,114	27.73%	\$751,806	11.06%
Federal Home Loan Mortgage Corporation	\$500,156	10.48%	\$502,361	7.39%
Federal Home Loan Board (FHLB)	\$500,546	10.49%	\$1,000,331	14.71%
Ginnie Mae Mortgage Association (GNMA)	\$998,363	20.93%	\$3,869,650	56.93%
Federal National Mortgage Association	\$438,170	9.19%	\$251,034	3.69%
Freddie Mac	\$302,105	6.33%		
State Municipal Bonds	<u>\$497,813</u>	<u>10.44%</u>	<u>\$146,333</u>	<u>2.17%</u>
Total	\$4,770,602	100.00%	\$6,796,438	100.00%

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 4 - Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2017	2016
Student Tuition	\$6,729,292	\$5,740,426
Auxiliary Enterprises and Other Operating	\$591,831	1,125,931
Federal, State, and Private Grants and Contracts	\$1,758,294	1,539,006
State Appropriations	\$511,397	438,659
Accrued Interest	\$23,659	31,100
Total Accounts Receivable	<u>\$9,614,473</u>	<u>\$8,875,122</u>
Less Allowance for Doubtful Accounts	<u>(3,393,432)</u>	<u>(3,418,572)</u>
Net Accounts Receivable	<u><u>\$6,221,041</u></u>	<u><u>\$5,456,550</u></u>

Note 5 - Notes Receivable from Students

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the University. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the University at June 30, 2017, followed by the schedule for June 30, 2016.

	Interest Rates	Balance June 30, 2017	Current Portion	Non-Current Portion
Perkins Student Loans	5%	\$1,715,206	\$321,026	\$1,394,180
Institutional Loans	0% to 5%	41,930	11,980	29,950
Total Notes Receivable		1,757,136	333,006	1,424,130
Less Allowance For Doubtful Accounts		<u>(243,472)</u>		<u>(243,472)</u>
Net Notes Receivable		<u><u>1,513,664</u></u>	<u><u>\$333,006</u></u>	<u><u>\$1,180,658</u></u>

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 5 - Notes Receivable from Students (continued)

	Interest Rates	Balance June 30, 2016	Current Portion	Non-Current Portion
Perkins Student Loans	5%	\$1,730,032	\$321,652	\$1,408,380
Institutional Loans	0% to 5%	29,950	11,980	17,970
Total Notes Receivable		1,759,982	333,632	1,426,350
Less Allowance For Doubtful Accounts		(243,472)		(243,472)
Net Notes Receivable		1,516,510	\$333,632	\$1,182,878

Note 6 - Capital Assets

Summaries of changes in capital assets for the years ended June 30, 2017 and 2016, respectively, are presented as follows:

	Balance July 1, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
Nondepreciable Capital Assets:					
Land	\$860,862	\$0	\$0		\$860,862
Construction in Progress	24,683,007	2,045,700	\$0	(1,515,252)	25,213,455
Total Nondepreciable Capital Assets	\$ 25,543,869	\$2,045,700	\$0	(1,515,252)	26,074,317
Depreciable Capital Assets:					
Infrastructure	\$12,682,177	\$0	\$0		\$12,682,177
Buildings	128,499,108	51,943	0		128,551,051
Equipment	12,065,920	577,159	289,496		12,353,583
Library Books	15,855,428	438,258	25,900		16,267,786
Total Depreciable Capital Assets	\$169,102,633	\$1,067,360	\$315,396		\$169,854,597
Less Accumulated Depreciation for:					
Infrastructure	6,257,647	308,808	\$0		6,566,455
Buildings	44,075,907	2,299,026	0		46,374,933
Equipment	11,784,354	723,297	0	(3,316,950)	9,190,701
Library Books	14,238,128	434,938	0	(85,615)	14,587,451
Total Accumulated Depreciation	\$76,356,035	\$3,766,069	\$0	\$(3,402,565)	\$76,719,540
Capital Assets, Net	\$118,290,467	\$(653,009)	\$315,396	\$1,801,698	\$119,209,374

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 6 - Capital Assets (continued)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Nondepreciable Capital Assets:				
Land	\$860,862	\$0	\$0	\$860,862
Construction in Progress	22,333,007	2,350,000	\$0	24,683,007
Total Nondepreciable Capital Assets	\$ 23,193,869	\$2,350,000	\$0	\$25,543,869
Depreciable Capital Assets:				
Infrastructure	\$12,682,177	\$0	\$0	\$12,682,177
Buildings	128,472,574	\$26,534	0	128,499,108
Equipment	11,810,408	840,387	584,875	12,065,920
Library Books	15,448,307	431,096	23,975	15,855,428
Total Depreciable Capital Assets	\$168,413,467	\$1,298,017	\$608,850	\$169,102,633
Less Accumulated Depreciation for:				
Infrastructure	5,924,981	332,666	\$0	6,257,647
Buildings	41,728,977	2,346,930	0	44,075,907
Equipment	11,056,568	727,789	0	11,784,354
Library Books	13,782,105	456,023	0	14,238,128
Total Accumulated Depreciation	\$72,492,631	\$3,863,404	\$0	\$76,356,035
Capital Assets, Net	\$119,114,705	\$(215,387)	\$608,850	\$118,290,467

As of June 30, 2017, capital assets included assets under capital leases with an original cost of \$1,777,530 and accumulated depreciation of \$946,535.79 for 2017 and \$786,557.91 for 2016.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 6 - Capital Assets (continued)

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful lives, salvage values, and capitalization thresholds are used to compute depreciation:

	<u>Estimated Useful Lives</u>	<u>Salvage Value</u>	<u>Capitalization Threshold</u>
Buildings	40 years	20%	\$ 50,000
Improvements Other Than Buildings	20 years	20%	\$ 25,000
Equipment	3-15 years	1 – 10%	\$ 5,000
Library Books	10 years	0%	\$ 0

Note 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2017 and 2016, respectively, are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Payable to vendors and contractors	\$718,484	\$1,169,719
Accrued salaries, wages, employee withholdings/fringes	\$1,619,954	\$1,762,554
Other	\$124,949	\$310,314
Total Accounts Payable and Accrued Liabilities	<u>\$2,463,387</u>	<u>\$3,242,587</u>

Note 8 – Deferred Revenues

Deferred revenues as of June 30, 2017 and 2016, respectively, are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unearned grants and contract revenue	\$739,423	\$885,585
Other		0
Total Deferred Revenues	<u>\$739,423</u>	<u>\$885,585</u>

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities

Long-term liabilities of the University consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2013. The various leases cover a period not to exceed five years. The University has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Information regarding original issue amounts, interest rates, and maturity dates for bonds, notes, and capital leases included in the Long-Term Liabilities balance at June 30, 2013, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Revenue Bonds, Series 1998, were issued December 1, 1998, by the Delta State University Educational Building Corporation to provide funds for the construction of a new men's residence hall (unnamed as of the date of this document) on the Cleveland campus. The original issue amount was \$3,900,000. Semi-annual interest rates range from 3.4% to 5%. The bonds were scheduled to be retired in full in December, 2018 however they were retired August 27, 2009 and refunded with Bonds, Series 2009A (Refunding Project).

Revenue Bonds, Series 2009A (Refunding Project) were issued August 27, 2009, by the Delta State University Educational Building Corporation to refund Series 1998 Revenue Bonds. The Original issue amount was \$3,135,000. Semi-annual interest rates range from 2.5% to 3.75%. The Bonds are scheduled to be retired in full in December, 2018.

Revenue Bonds, Series 2003, were issued December 1, 2003, by the Delta State University Educational Building Corporation to provide funds for the renovation of the Court of Governors Residence Hall and other related projects on the Cleveland campus. The original issue amount was \$2,475,000. Semiannual interest rates range from 3.00% to 4.25%. The bonds are scheduled to be completely retired in December, 2023. As of July 28, 2016, this debt was refinanced and refunded with Revenue Refunding Bonds, Series 2016.

Delta State University has entered into a Lease Purchase Agreement in August 2010 with Statesman Housing LLC (SHL) for the use of a 362 bed residence hall and a 32 unit apartment complex located on the DSU campus to house students, faculty and staff.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (continued)

The Mississippi Business Finance Corporation issued \$17,065,000 MBFC Revenue Bonds and \$175,000 MBFC Taxable Revenue Bonds to build the facilities. SHL will utilize the lease payments from DSU to pay the debt for the building. SHL will make principal payments annually starting September 1, 2012 and ending June 1, 2039. The lease payments are \$172,500 to \$530,000 to be submitted semiannually on March 1, and September 1, starting September 1, 2011. Interest rates range from 4.21% to 4.81%. Upon expiration of the 29 year lease on March 1, 2039, the University has the right to purchase the residence hall and apartment complex for the sum of one dollar (\$1.00). The Lease Purchase Agreement was refinanced with Revenue Refunding Bonds, Series 2016.

Revenue Refunding Bonds, Series 2016 were issued July 28, 2016 by the Delta State Educational Building Corporation to refund Series 2003 Housing Bonds and refinance the Foundation Hall & University Apartments Lease Purchase Agreement. The original issue amount was \$15,105,000. Semi-annual interest rates range from 2% to 5%. The Bonds are scheduled to retire in full in December 2038.

Master Equipment Lease/Purchase Agreement #93.1470/11A Series 2011A was signed July 14, 2011 to purchase Aircraft for the Commercial Aviation program. Original lease agreement was issued for \$1,777,530 with semi-annual principal and interest payments beginning October, 2011. Interest rate is 4.44%. The lease is scheduled to be paid in full in April, 2018.

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (continued)

Long-term liabilities activity is shown as follows for the years ended June 30, 2017 and 2016:

Description and purpose	Original Issue	Interest Rate	Maturity	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonded Debt								
Delta State University Student Housing Bonds, Series 2003, Court of Governors Residence Hall	\$2,475,000	3.00% to 4.25%	12/1/2023	\$1,270,000	0	\$1,270,000	\$0	\$0
Refunding bonds, Series 2009A Student Housing Bonds, New Men's Residence Hall	\$3,135,000	2.50% to 3.75%	12/1/2018	\$1,245,000	0	\$400,000	\$845,000	\$415,000
Facilities Refinancing Project Revenue Refunding Bonds, Series 2016 Foundation Hall/Court of Gov	\$15,105,000	2.00 % To 5.00%	12/1/2038	\$0	\$15,105,000	\$645,000	\$14,460,000	\$560,000
Total Bonded Debt	\$5,610,000			\$2,515,000	\$15,105,000	\$2,315,000	\$15,305,000	\$975,000
Capital Leases								
Aircraft	\$1,777,530	4.44%	4/10/2018	\$558,348	0	\$273,045	\$285,303	\$285,303
Lawn Mowers	\$87,026	4.00%	4/1/2019	\$61,104	0	\$21,447	\$39,657	\$22,321
Golf Carts	\$64,362	4.17%	6/1/2019	\$46,358	0	\$15,742	\$30,616	\$16,411
Foundation Hall & University Apt	\$17,240,000	4.42%	3/1/2039	\$15,400,000	0	\$15,400,000	\$0	\$0
Total Capital Leases	\$19,168,918			\$16,065,810	\$0	\$15,710,234	\$355,575	\$324,035
Other Long-Term Liabilities								
Accrued leave liabilities				\$1,484,772	\$135,182	\$0	\$1,619,954	\$247,125
Deposits refundable				\$128,295		\$17,768	\$110,527	
Federal portion – Perkins Loans				\$1,926,934		\$28,386	\$1,898,548	0
Total Other Liabilities				\$3,540,001	\$135,181	\$46,154	\$3,629,029	\$247,125
Total				\$22,120,811	\$15,240,181	\$18,071,388	\$19,289,604	\$1,546,160

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (continued)

Description and purpose	Original Issue	Interest Rate	Maturity	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Bonded Debt								
Delta State University Student Housing Bonds, Series 2003, Court of Governors Residence Hall	\$2,475,000	3.00% to 4.25%	12/1/2023	\$1,400,000	0	\$130,000	\$1,270,000	\$135,000
Refunding bonds, Series 2009A Student Housing Bonds, New Men's Residence Hall	\$3,135,000	2.50% to 3.75%	12/1/2018	\$1,635,000	0	\$390,000	\$1,245,000	\$400,000
Total Bonded Debt	\$5,610,000			\$3,035,000	\$0	\$520,000	\$2,515,000	\$535,000
Capital Leases								
Aircraft	\$1,777,530	4.44%	4/10/2018	\$ 819,663	0	\$261,315	\$ 558,348	\$273,045
Lawn Mowers	\$87,026	4.00%	4/1/2019	\$ 81,712	0	\$ 20,608	\$ 61,104	\$ 21,446
Golf Carts	\$64,362	4.17%	6/1/2019	\$ 62,910	0	\$ 16,552	\$ 46,358	\$ 15,742
Foundation Hall & University Apt	\$17,240,000	4.42%	3/1/2039	\$15,790,000	0	\$390,000	\$15,400,000	\$400,000
Total Capital Leases	\$19,168,918			\$16,754,285	\$0	\$688,475	\$16,065,810	\$710,233
Other Long-Term Liabilities								
Accrued leave liabilities				\$1,559,848	\$0	\$75,076	\$1,484,772	\$ 238,236
Deposits refundable				\$ 133,157		\$ 4,862	\$ 128,295	
Federal portion – Perkins Loans				\$ 1,798,647	\$128,287	\$0	\$1,926,934	0
Total Other liabilities				\$3,491,652	\$128,287	\$79,938	\$3,540,001	\$ 238,236
Total				\$23,280,937	\$128,287	\$1,288,413	\$22,120,811	\$1,483,469

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (continued)

	<u>Bonded Debt</u>	<u>Interest</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total Payments</u>
2018	975,000.00	541,037.50	324,035.45	11,742.63	1,851,815.58
2019	1,005,000.00	514,362.50	31,542.00	618.99	1,551,523.49
2020	585,000.00	494,700.00	0.00	0.00	1,079,700.00
2021	595,000.00	482,900.00	0.00	0.00	1,077,900.00
2022-26	2,905,000.00	2,154,575.00	0.00	0.00	5,059,575.00
2027-31	3,015,000.00	1,530,000.00	0.00	0.00	4,545,000.00
2032-36	3,650,000.00	840,100.00	0.00	0.00	4,490,100.00
2037-40	2,575,000.00	208,800.00	0.00	0.00	2,783,800.00
Total	15,305,000.00	6,766,475.00	355,577.45	12,361.62	22,439,414.07

Note 10 - Operating Leases

Leased property under operating leases is composed of photocopiers. The following is a schedule by years of the future minimum rental payments required under those operating leases:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Minimum Payments	\$105,854	\$108,356
Total Minimum Payments Required	<u>\$108,356</u>	<u>\$108,356</u>

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 11 - Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for the year ended June 30, 2017 and 2016, respectively, are shown on the following pages.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 11 - FY2017 Natural Classifications with Functional Classifications

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	13,728,278.06	5,189,834.85	259,191.99	1,820,056.91	39,539.81	475,188.87	876,245.14			22,388,335.63
Research	197,267.18	84,824.89	57,354.91	109,329.49		5,522.50	10,732.02			455,030.99
Public Service	928,615.99	399,304.88	412,854.02	1,514,046.93	13,429.84	431,076.21	556,638.29			4,255,966.16
Academic Support	2,858,228.30	1,229,038.17	124,502.27	1,595,761.27			553,418.10			6,360,948.11
Student Services	3,210,155.18	1,380,366.73	849,733.82	951,546.00	1,532.02	26,031.00	650,883.71			7,070,248.46
Institutional Support	2,968,759.67	1,276,566.66	30,473.33	1,879,387.39		5,800.00	291,324.41			6,452,311.46
Operation of Plant	2,571,323.37	1,199,617.25	3,502.75	1,265,185.22	957,714.27		639,011.83			6,636,354.69
Student Aid	254,654.81	5,779.09	705.61			5,889,341.30	18.95			6,150,499.76
Auxiliary Enterprises	1,015,506.67	336,858.98	1,561.54	4,627,766.13	581,317.26	24,145.95	624,180.63			7,211,337.16
Depreciation								3,766,069.33		3,766,069.33
Loan Expenses									0	0
Total Operating Expenses	27,732,789.23	11,102,191.50	1,739,880.24	13,763,079.34	1,593,533.20	6,857,105.83	4,202,453.08	3,766,069.33	0	70,757,101.76

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 11 - FY2016 Natural Classifications with Functional Classifications

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	14,028,639.64	4,536,133.30	280,252.49	1,446,449.21	-4,195.96	476,360.73	899,044.82			21,662,694.23
Research	98,130.47	23,046.38	4,848.65	91,969.44	0	0	1,419.86			219,414.80
Public Service	1,110,737.06	474,286.54	238,411.84	1,219,357.82	21,861.87	359,889.95	534,008.57			3,958,553.65
Academic Support	2,699,271.27	1,000,618.47	136,295.17	1,220,619.41	0	82,012.70	653,314.39			5,792,131.41
Student Services	2,892,120.75	1,091,115.93	750,704.21	781,705.53	1,280.06	28,289.00	579,866.23			6,125,081.71
Institutional Support	2,951,916.11	1,103,105.79	47,516.24	1,555,120.46	0	-15,830.00	265,649.07			5,907,477.67
Operation of Plant	2,287,445.34	1,097,577.83	6,306.91	1,177,978.36	1,002,820.51	0	630,158.39			6,202,287.34
Student Aid	42,401.72		8.00	108,401.62	0	5,406,824.26	52.70			5,557,688.30
Auxiliary Enterprises	1,241,218.93	528,673.66	1,003.15	4,332,150.15	608,929.55	0	608,070.01			7,320,045.45
Depreciation								3,863,405.39		3,863,405.39
Loan Expenses									6,893.81	6,893.81
Total Operating Expenses	27,351,881.29	9,854,557.90	1,465,356.66	11,933,752.00	1,630,696.03	6,337,546.64	4,171,584.04	3,863,405.39	6,893.81	66,615,673.76

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Note 12 - Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2017. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Projects	Total Costs to Complete	Remaining Estimated Costs to Complete	Funded By Federal Sources	Funded by State Sources	Institutional Funds	Other
Caylor –White/ Walters Renovation	\$18,213,124	\$139,879		\$18,213,124		
Res. Hall Fire Suppression	\$2,147,646	\$0		\$2,147,646		
Central Mechanical Plant	\$1,969,312	\$48,802		\$1,969,312		
Campus Paving	\$2,350,000	\$127,422		\$2,350,000		
Pre-Plan Sillers Coliseum Renovation	\$350,000	\$171,139		\$350,000		
Zeigel Hall Renovations	\$6,292,500	\$5,808,447		\$6,292,500		
Young-Mauldin Renovations	\$9,321,424	\$9,138,406		\$9,321,424		
Pre-Plan New President's Home	\$87,500	\$83,955		\$87,500		
Total	\$40,731,506	\$15,518,051	\$0	\$40,731,506	\$0	\$0

Note 13- Pension Plan

(a) PERS Defined Benefit Plan

Plan Description

The IHL System participates in either the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan or the Optional Retirement Plan (ORP), a multiple-employer defined contribution plan established in 1990. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement IHL System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Vesting Period

In 2007, the Mississippi Legislature amended the PERS Plan to change the vesting period from four to eight years for members who entered the IHL System after July 1, 2007. A

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

member who entered the IHL System prior to July 1, 2007 is still subject to the four year vesting period provided that the member does not subsequently refund their account balance.

Funding Policy

PERS members are required to contribute 9.0% of their annual salary and the institution is required to contribute at an actuarially determined rate. The actuarially determined rate was 15.75% of annual covered payroll at June 30, 2017 and 2016. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The University's contributions to PERS for the years ended June 30, 2017, 2016, and 2015, were \$2,638,512, \$2,664,039, and \$2,685,024 respectively. Such contributions equaled the required contributions for each respective year.

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Pension and Other Employee Benefit Plans

Delta State University participates in the separately administered, defined benefit plan maintained by the Public Employees' Retirement System of Mississippi (PERS):

Plan type	Plan name
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined contribution	Optional Retirement Plan (ORP) Defined Contribution Plan

The Plan does not provide for measurements of assets and pension benefit obligations for individual entities of the Plan. The measurement date of the Plan is June 30, 2016 and 2015 for fiscal years 2017 and 2016, respectively.

The funding methods and determination of benefits payable were established by the legislative acts creating such plans, as amended, and in general, provide that the funds are to be accumulated from employee contributions, participating entity contributions, and income from the investment of accumulated funds. The plans are administered by separate board of trustees.

Information included within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC.

A stand-alone audited financial report is issued for the Plans and can be obtained at www.pers.ms.gov.

Disclosure under GASB 68

The pension disclosures that follow for fiscal years 2017 and 2016 include all disclosures for GASB 68 using the latest valuation reports available (June 30, 2016). For fiscal year 2017, the measurement date for the PERS defined benefit plan is June 30, 2016. For fiscal year 2016, the measurement date for the PERS defined benefit plan is June 30, 2015. the University is presenting net pension liability as of June 30, 2016 and 2015 for the fiscal year 2017 and 2016 financials, respectively.

(a) PERS Defined Benefit Plan

Plan Description

The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, and elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, multiple-employer defined benefit pension plan. PERS is administered by a 10-member Board of Trustees that includes the State Treasurer, one gubernatorial appointee who is a member of PERS, two state employees, two PERS retirees, and one representative each from public schools and community colleges, state universities, municipalities, and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Membership and Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the board of trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the board of trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2017 and 2016, was 15.75% for each year of annual payroll. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.0% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the University are recognized when legally due, based on statutory requirements.

Employer Contributions

Delta State University's contributions to PERS for the years ended June 30, 2017 and 2016 were \$2,638,512 and \$2,664,039, respectively. The University's proportionate share was calculated on the basis of historical contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the University that are not representative of future contribution effort are excluded in the determination of employer's proportionate share. Examples of employer contributions not representative of future contribution efforts are contributions towards the purchase of employee service and employer contributions paid by employees in connection with early retirement.

The following table provides the institution's contributions used in the determination of its proportionate share of collective pension amount reported:

Plan	Proportionate share of contributions	Allocation percentage of proportionate share of collective pension amount	Change in proportionate share of collective pension amount
PERS Defined Benefit:			
2017	\$ 2,664,039	0.264404 %	-0.008473 %
2016	2,685,024	0.272877	-0.003420

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

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Notes to Financial Statements For the Year Ended June 30, 2017

Asset class	Target allocation	Long-term expected real rate of return
U.S. Broad	34.00 %	5.20 %
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
	<u>100.00</u>	

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Net Pension Liability

Delta State University's proportion of the net pension liability at June 30, 2017 and 2016 is as follows:

Plan	Proportion of net pension liability	Proportionate share of net pension liability
PERS Defined Benefit:		
2017	0.264404 %	\$ 47,229,075
2016	0.272877	42,181,402

Discount rate

For the years ended June 30, 2017 and 2016, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) for the years ended June 30, 2017 and 2016. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following tables present Delta State University's proportionate share of the net pension liability of the cost-sharing plan for 2017 and 2016, calculated using the discount rate of 7.75%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Delta State University proportionate share of net pension liability			
2017	60,558,264	47,229,075	36,170,170
2016	55,598,876	42,181,402	31,047,302

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The latest experience study was

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

performed after the June 30, 2016 valuation was complete; it covers the four-year period from July 1, 2012 to June 30, 2016 and was issued on April 18, 2017.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the years ended June 30, 2017 and 2016:

	2017	2016
Valuation date	June 30, 2016	June 30, 2015
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	3.00 %	3.00 %
Salary increases	3.75	3.75
Investment rate of return	7.75	7.75

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with male rates set forward one year.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2017 and 2016, Delta State University's proportionate share of pension expense was \$5,812,648 and \$4,012,828, respectively, related to the PERS defined benefit plan. Deferred outflows of resources were related to differences between expected and actual experience, differences between projected and actual investment earnings and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is approximately five years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources.

At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017						Deferred inflows		
Deferred outflows								
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between Employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investments	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
\$ 1,336,412	2,297,837	(651,408)	2,602,302	3,732,082	9,317,225	966,848	125,302	\$ 1,092,350

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

2016									
Deferred outflows						Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between Employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investments	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources	
\$ 984,132	3,633,785	123,279	2,629,908	-	7,371,104	1,565,206	-	\$ 1,565,206	

Contributions subsequent to the measurement date of \$2,602,302 and \$2,629,908 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the years ended June 30, 2017 and 2016, respectively.

Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions as of June 30, 2017, will be recognized in pension expense as follows:

Deferred Outflow of Resources Year Ended June 30						
2018	2019	2020	2021	2022	Thereafter	Total
\$ 1,929,576	1,929,576	1,929,576	926,195	-	-	\$ 6,714,923

Deferred Inflow of Resources Year Ended June 30						
2018	2019	2020	2021	2022	Thereafter	Total
\$ 218,470	218,470	218,470	218,470	218,470	-	\$ 1,092,350

DELTA STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2017

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of Net Pension Liability For the years ended June 30

	Proportionate share of the net pension liability	Proportionate share of the net pension liability	Estimated Covered-employee payroll provided by PERS	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	PERS fiduciary net position as a percentage of the total pension liability
Delta State University:					
2015	0.28%	33,537,396	16,883,175	199.00%	67.00%
2016	0.27%	42,181,402	17,047,771	247.43%	61.70%
2017	0.26%	47,229,075	16,914,533	279.22%	57.47%

Schedule of Proportionate Share of Contributions For the years ended June 30

	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	Actual Covered-employee payroll	Contribution as a percentage of covered-employee payroll
Delta State University:					
2015	2,664,943	(2,664,943)	-	16,920,273	15.75%
2016	2,629,908	(2,629,908)	-	16,697,827	15.75%
2017	2,602,302	(2,602,302)	-	16,522,553	15.75%

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Notes to Required Supplementary Information (Unaudited)

June 30, 2017

(1) Schedule of Proportionate Share of Net Pension Liability

This schedule presents historical trend information about Delta State University's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

(2) Schedule of Proportionate Share of IHL System's Contributions

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

(3) Changes in Assumptions and Benefit Terms

Changes of assumptions: In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

Changes of benefit terms: Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

DELTA STATE UNIVERSITY
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 14 - Donor Restricted Endowments

Most endowments operate on the total-return concept as permitted by the Uniform Management of Institutional Funds Act (Sections 79-11-601 through 79-11-617, MS Code, Ann. 1972) as enacted in 1998. The annual spending rate for these endowments is 100% of the interest earned. The restricted endowments were transfer to the Delta State University Foundation in the 2014 fiscal year.

Note 15 - Federal Direct Lending and FFEL Programs

The University distributed \$20,825,936 for the year ended June 30, 2016, for student loans through the U. S. Department of Education lending programs. These distributions and their related funding sources are included as "Cash Flows from Non-Capital Financing Activities" in the Statement of Cash Flows.

Note 16 - Foundations and Affiliated Parties

The various institutions comprising the State of Mississippi Institutions of Higher Learning are each affiliated with one or more foundations or affiliated parties, which are independent organizations formed for the purpose of receiving funds for the sole benefit of the respective institutions. These foundations and affiliated parties are separately audited and have not been, nor are they required to be, included in these financial statements.