

DELTA STATE UNIVERSITY



Financial Report
July 1, 2018 – June 30, 2019



Delta State University

Office of the President

March 26, 2020

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

Ladies and Gentlemen:

Enclosed is the annual financial report of Delta State University for the fiscal period July 1, 2018 through June 30, 2019.

Please let us know if you have questions or need additional information.

Very best regards,

A handwritten signature in black ink, appearing to read "Bill LaForge", with a long horizontal flourish extending to the right.

William N. LaForge
President

Enclosure

March 26, 2020

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, 2019. The financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles.

The financial statements and accompanying notes are included with the Mississippi Institutions of Higher Learning as a component unit of the state government. The Consolidated Annual Financial Report was audited by Clifton Larson Allen LLP. The audit for the year ended June 30, 2019, has been completed.

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, 2019

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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 2019, with fiscal year 2018 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, 2019.

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, 2019 and 2018 is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets and Deferred Outflows		
Current assets	\$ 7,684	\$ 10,077
Capital assets, net	126,353	118,995
Other assets	2,768	3,246
Deferred Outflows	<u>3,578</u>	<u>3,835</u>
Total Assets and Deferred Outflows	<u>140,383</u>	<u>136,153</u>
Liabilities and Deferred Inflows		
Current liabilities	3,967	4,671
Noncurrent liabilities	62,548	62,358
Deferred Inflows	<u>1,338</u>	<u>1,132</u>
Total Liabilities and Deferred Inflows	<u>67,855</u>	<u>68,161</u>
Net Position		
Invested in capital assets, net of debt	113,028	106,095
Restricted – expendable	(196)	37
Unrestricted	<u>(40,297)</u>	<u>(38,141)</u>
Total Net Position	\$ <u>72,535</u>	\$ <u>67,991</u>

A review of the university's Statement of Net Position at June 30, 2019 and 2018 shows that the university is financially stable. Total net assets increased by \$4,230,000, due to primarily an increase in Capital net assets.

Current assets consist of cash and short term investments, accounts receivable, student notes receivable, inventories, and pre-paid expenses. Total current assets decreased by \$2,395. This decrease was the result of a decrease in Accounts Receivable as well as a decrease in Cash and Cash Equivalents.

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 \$704 as a result of a decrease in Long Term Liabilities – Current Portion.

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 \$6,665 Increase in noncurrent assets during FY2019, due largely to an Increase in Capital Assets. Additional information regarding the university's Capital Assets may be found in Note 6 in the Notes to the Financial Statements.

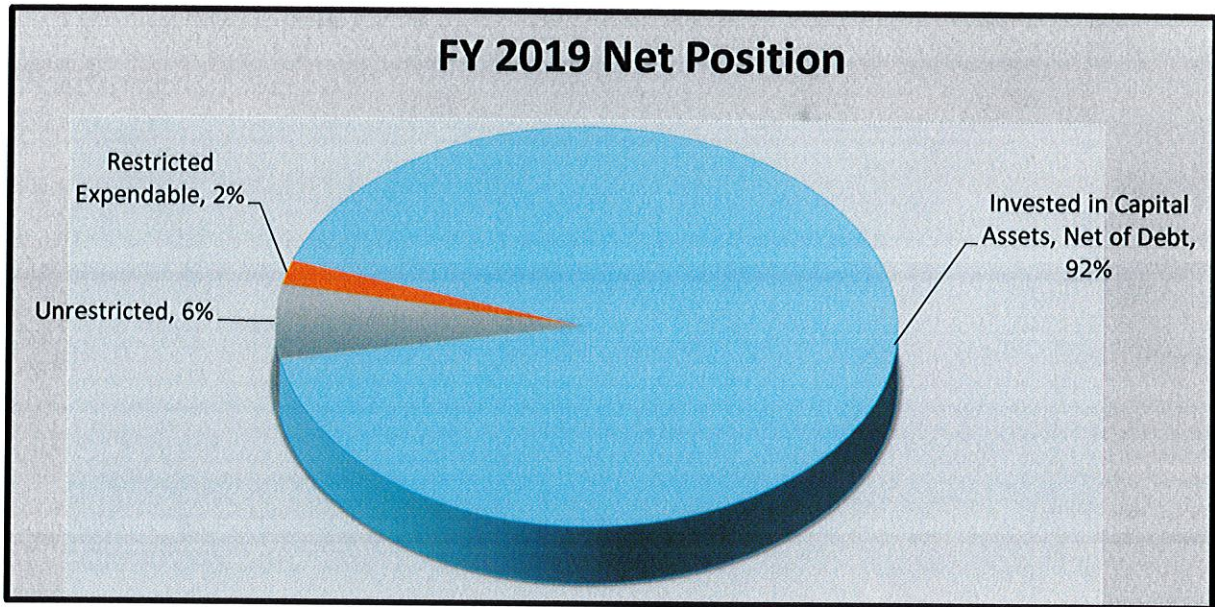
Noncurrent liabilities are primarily made up of accrued leave and long-term liabilities. Accrued leave Increased by \$191 the result of a decrease in the net pension liability and major medical leave balances of university employees. Long-term liabilities decreased by \$1,036. This increase was the result 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 FY2019 by \$6,934.

Restricted expendable Net Position is subject to externally imposed restrictions governing their use. This category includes \$ 498 for capital projects.

Unrestricted Net Position is not subject to externally imposed restrictions. The university has designated the \$(40) million unrestricted balance to inventories \$398, encumbrances \$32, and equipment replacement \$500 with the remaining funds \$(41) 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, 2019 and 2018 is as follows:

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

	For the Year Ended	
	June 30, 2019	June 30, 2018
Operating revenues	\$ 35,737	\$37,922
Operating expenses	<u>73,126</u>	<u>73,158</u>
Operating loss	(37,389)	(35,236)
Non-operating revenues and expenses	<u>24,284</u>	<u>24,390</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(13,104)	(10,846)
Increase (Decrease) in Net Assets	(997)	(997)
Net Position at Beginning of Year, Restated	67,992	68,988
Cumulative Effects of Change in Accounting Principle	4,542	(1,394)
Prior Period Adj	0	(8)
Net Position at End of Year	\$ <u>72,534</u>	\$ <u>67,992</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a \$4,492 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 (5% of total operating revenues) decreased by \$963

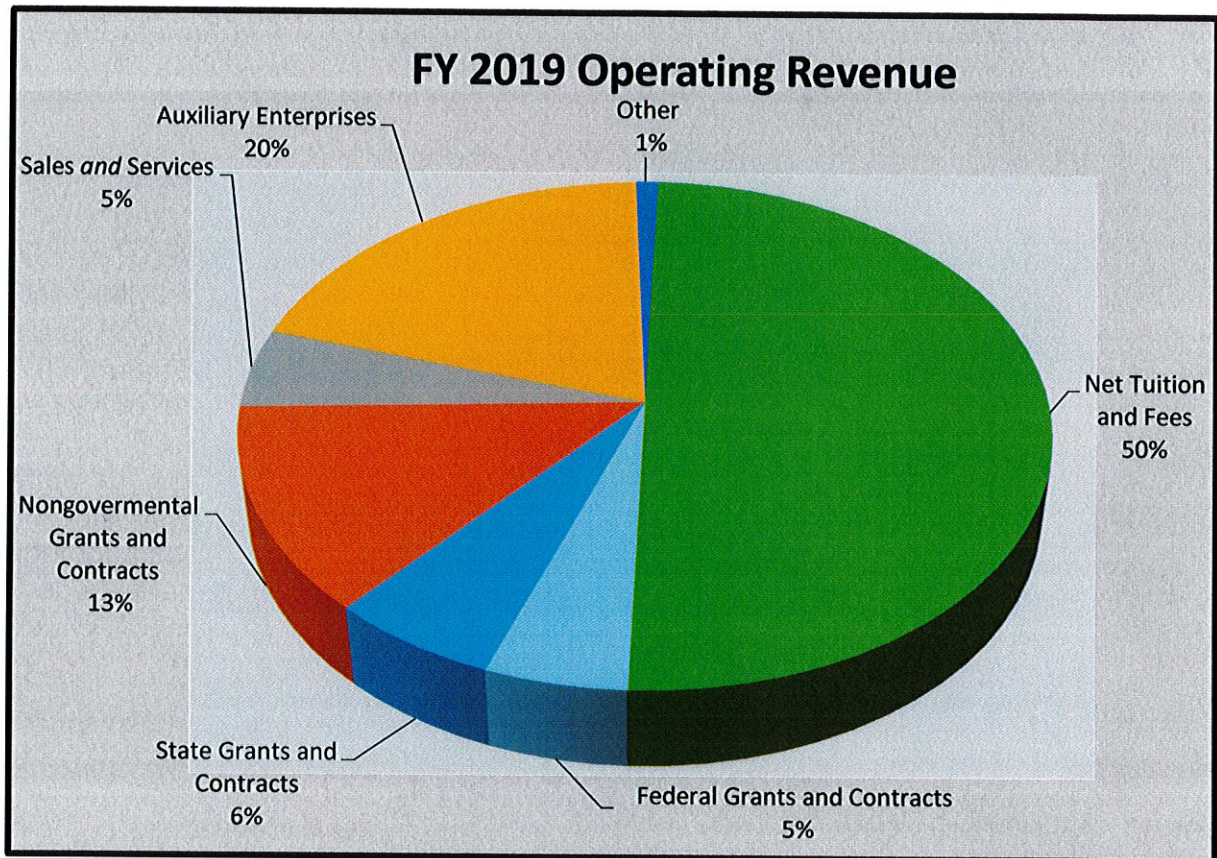
State grants and contracts (6% of total operating revenues) increased by \$1,708

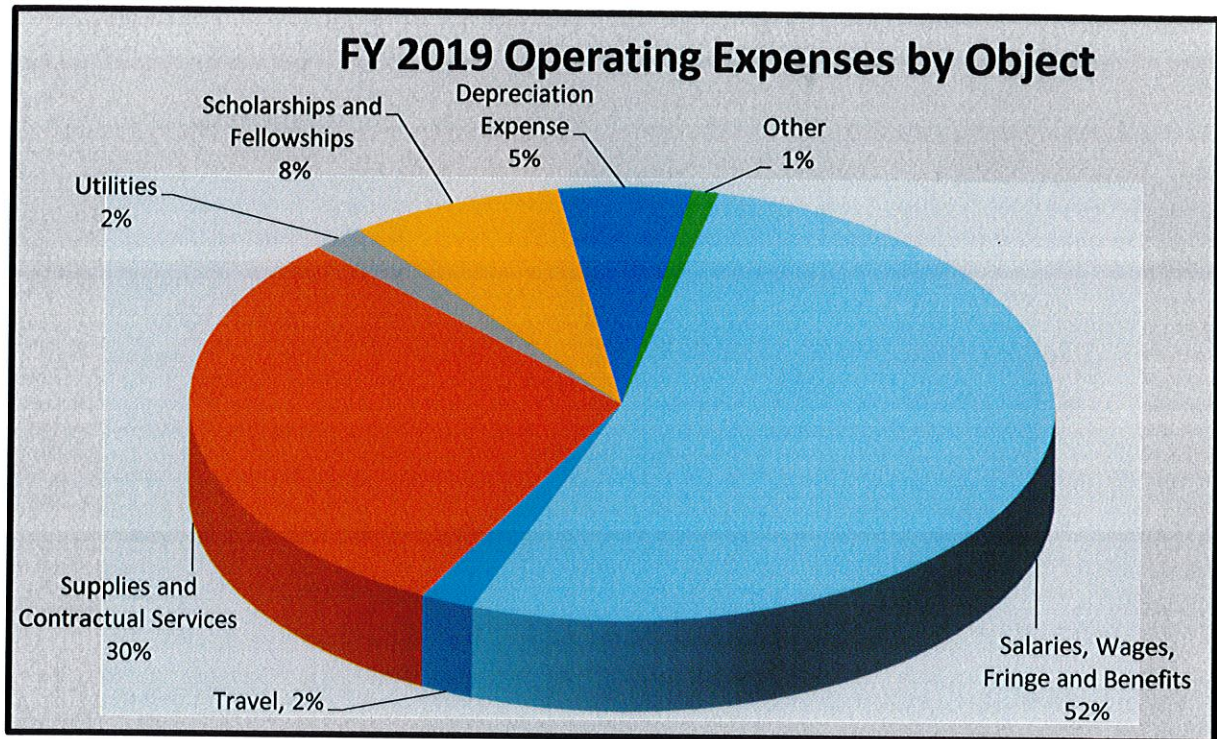
Nongovernmental grants and contracts (13% of total operating revenues) increased by \$1,241.

Revenue from tuition and fees, net of scholarship allowances, increased \$48 during the year. Net tuition represents 50% of total operating revenues. Full-time tuition was \$3,572 per semester reflecting a 6% increase over the previous year. The increase in net tuition was reflective of the \$688 increase in Scholarship Allowances.

Operating expenses are comprised of salaries, wages, and fringe benefits (53%), travel (2%), supplies and contractual services (27%), scholarships and fellowships (10%), depreciation (5%) and utility expenditures (3%). Operating expense increased by \$2,405, primarily due to Increase in scholarships and Contractual Services.

State appropriations restricted for capital purposes increased 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 non-operating, non-investing, 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, 2019 and 2018 is shown below.

**Statement of Cash Flows
(thousands of dollars)**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash provided (used) by:		
Operating activities	\$(34,798)	\$(30,949)
Noncapital financing activities	27,155	21,903
Capital financing activities	6,106	5,950
Investing activities	<u>2,127</u>	<u>2,127</u>
Net Change in cash		(969)
Cash, beginning of year	<u>2,705</u>	<u>3,674</u>
Cash, end of year	<u>\$ 1,177</u>	<u>\$ 2,705</u>

The university's cash and cash equivalents decreased \$1,528. 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 \$20,026 in State of Mississippi appropriations.

Capital Asset and Debt Administration

During fiscal year 2019, Delta State University did not issue 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 second largest single source of funding, comprise approximately 33% of total revenues. State appropriations increased by \$136. State appropriations are expected to remain essentially the same in FY2020. The university's governing board increased tuition by \$264 in 2019 & \$210 in 2018. 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,	
	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 1,779,236	\$ 3,334,920
Short term investments	137,461	137,461
Accounts receivable, net	4,821,196	5,653,913
Student notes receivable, net	281,085	299,737
Inventories	443,156	428,078
Prepaid expenses	222,473	222,473
Total Current assets	7,684,607	10,076,582
Non-Current Assets:		
Restricted cash and cash equivalents	(601,513)	(629,555)
Other long term investments	2,731,742	2,714,898
Student notes receivable, net	642,155	1,161,137
Capital assets, net	126,353,925	118,994,868
Total Non-Current assets	129,126,309	122,241,348
Total Assets	136,810,916	132,317,930
Deferred Outflows of Resources	3,578,607	3,834,864
Total assets and deferred outflows of resources	\$ 140,383,523	\$ 136,152,794
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,326,894	\$ 2,669,118
Unearned revenues	812,747	719,997
Accrued leave liabilities - current portion	242,827	246,467
Long-term liabilities - current portion	585,000	1,035,921
Other current liabilities		
Total Current Liabilities	3,967,468	4,671,503

**DELTA STATE UNIVERSITY
STATEMENT OF NET POSITION**

	June 30,	
	2019	2018
Non-Current Liabilities:		
Accrued leave liabilities	1,262,276	1,217,147
Deposits refundable	104,209	110,063
Long-term liabilities	12,740,000	13,325,619
Net pension liability	44,872,460	44,338,880
Net OPEB liability	3,268,272	3,212,943
Other non-current liabilities	301,640	152,957
Total Non-Current Liabilities	62,548,857	62,357,609
Total Liabilities	66,516,325	67,029,112
Deferred Inflows of Resources	1,338,816	1,131,961
Total liabilities and deferred inflows of resources	67,855,141	68,161,073
Net Position:		
Net Invested in Capital Assets	113,028,924	106,094,871
Restricted for:		
Expendable:		
Capital projects	49,873	223,440
Loans	(246,670)	(186,060)
Unrestricted	(40,297,745)	(38,140,530)
Total Net Position	72,534,382	67,991,721
Total liabilities, deferred inflows and net position	\$ 140,383,523	\$ 136,152,794

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

	June 30,	
	2019	2018
Operating Revenues		
Tuition and fees	\$ 23,209,807	\$ 22,473,013
Less scholarship allowances	(5,226,749)	(4,537,932)
Net tuition and fees	17,983,058	17,935,081
Federal grants and contracts	1,821,512	2,785,396
State grants and contracts	2,214,422	3,922,865
Nongovernmental grants and contracts	4,610,636	3,369,202
Sales and services of educational departments	1,646,846	1,143,007
Auxiliary Enterprises:		
Student housing	4,160,140	3,616,462
Food services	2,683,651	2,216,268
Bookstore	158,877	304,020
Other auxiliary revenues	379,599	1,653,364
Interest earned on loans to students	78,930	23,966
Other operating revenues, net	-	952,734
Total Operating Revenues	35,737,671	37,922,365
Operating Expenses		
Salaries and wages	28,118,216	27,697,657
Fringe benefits	9,696,990	11,068,252
Travel	1,538,711	1,359,428
Contractual services	18,640,376	15,828,055
Utilities	1,737,311	1,813,431
Scholarships and fellowships	6,011,478	7,181,756
Commodities	3,366,874	4,625,871
Depreciation expense	3,693,901	3,550,786
Other operating expenses	322,676	33,169
Total Operating Expenses	73,126,533	73,158,405
Operating Loss	(37,388,862)	(35,236,040)
Nonoperating Revenues (Expenses)		
State appropriations	20,026,340	19,890,101
Gifts and grants	5,764,152	6,126,012
Equipment	-	-
Other than equipment	-	-
Investment income	25,105	127,064
Interest expense on capital asset-related debt	(506,300)	(256,025)
Other nonoperating revenues	-	-
Other nonoperating expenses	(1,024,669)	(1,497,432)
Total Nonoperating Revenues, Net	24,284,628	24,389,720
Loss Before Other Revenues, Expenses, Gains and Losses	(13,104,234)	(10,846,320)

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

	June 30,	
	2019	2018
Other Revenues, Expenses, Gains and Losses		
State appropriations restricted for capital purposes	5,673,240	9,808,671
Other additions	11,643,655	41,018
Other deletions	-	(2,193,133)
Change in Net Position	4,542,661	(3,189,764)
Net Position		
Net position, beginning of the year	67,991,721	74,343,374
Cumulative effects of changes in accounting principles:		
Effect of adoption of GASB 75	-	(3,161,889)
Net Position - Beginning of Year, as Restated	67,991,721	71,181,485
Net Position - End of Year	\$ 72,534,382	\$ 67,991,721

**DELTA STATE UNIVERSITY
STATEMENT OF CASH FLOWS**

	June 30,	
	2019	2018
Operating Activities		
Tuition and fees	\$ 17,983,691	\$ 17,935,082
Grants and contracts	9,196,730	17,038,262
Sales and services of educational departments	1,646,846	1,143,007
Payments to suppliers	(23,478,561)	(28,309,004)
Payments to employees for salaries and benefits	(36,900,587)	(38,906,592)
Payments for utilities	(1,737,311)	(1,813,431)
Payments for scholarships and fellowships	(6,011,478)	(7,181,756)
Collection of loans to students and employees	716,528	293,722
Auxiliary enterprises charges:		
Student housing	3,453,081	3,616,462
Food services	2,853,291	2,216,268
Bookstore	158,877	304,020
Other auxiliary enterprises	103,247	1,577,949
Other receipts	57,272	1,142,999
Other payments	(2,839,700)	(5,632)
	(34,798,074)	(30,948,644)
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	20,026,340	19,889,545
Gifts and grants for other than capital purposes	5,764,152	18,687
Federal loan program receipts	14,812,446	17,066,720
Federal loan program disbursements	(12,403,735)	(16,113,094)
Other sources	-	1,041,212
Other uses	(1,043,262)	-
	27,155,941	21,903,070
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Cash paid for capital assets	(2,492,290)	(438,258)
Capital appropriations received	5,673,240	9,290,452
Principal paid on capital debt and leases	1,036,541	(2,467,077)
Interest paid on capital debt and leases	(506,300)	(552,665)
Other sources	2,406,646	117,425
Other uses	(11,607)	-
	6,106,230	5,949,877
Net cash provided by capital and related financing activities		

DELTA STATE UNIVERSITY
STATEMENT OF CASH FLOWS (Continued)

	June 30,	
	2019	2018
Investing Activities		
Proceeds from sales and maturities of investments	5,547,131	12,000,000
Interest received on investments	(38,870)	127,064
Purchases of investments	<u>(5,500,000)</u>	<u>(10,000,000)</u>
Net cash provided by investing activities	<u>8,261</u>	<u>2,127,064</u>
Net Change in Cash and Cash Equivalents	(1,527,642)	(968,633)
Cash and Cash Equivalents - Beginning of Year	<u>2,705,365</u>	<u>3,673,998</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,177,723</u>	<u>\$ 2,705,365</u>
Reconciliation of Operating Loss to Net Cash Used By Operating Activities		
Operating loss	\$ (37,388,862)	\$ (35,236,040)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation expense	3,693,901	3,550,786
Self-insured claims expense	-	-
Provision for uncollectible receivables	317,402	26,497
Other	-	-
Changes in assets and liabilities:		
(Increase) Decrease in Assets:		
Receivables, net	515,315	568,128
Inventories	(15,078)	(33,028)
Prepaid expenses	-	(169,947)
Loans to students and employees	537,634	(2,334,956)
Deferred outflow of resources	256,257	4,645,650
Other assets	-	(35,153)
Increase (Decrease) in Liabilities:		
Accounts payable and accrued liabilities	(342,224)	205,732
Unearned revenue	92,750	(19,426)
Deposits refundable	(5,854)	(464)
Accrued leave liability	41,489	(156,340)
Net pension liability	533,580	(2,890,195)
Net OPEB liability	55,329	(75,367)
Deferred inflow of resources	206,855	1,006,479
Other liabilities	(3,296,568)	-
Total adjustments	<u>2,590,788</u>	<u>4,288,396</u>
Net cash used in operating activities	<u>\$ (34,798,074)</u>	<u>\$ (30,947,644)</u>

**DELTA STATE UNIVERSITY
STATEMENT OF CASH FLOWS (Continued)**

	June 30,	
	2019	2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current assets- cash and cash equivalents	\$ 1,779,236	\$ 3,334,920
Noncurrent assets- restricted cash and cash equivalents	<u>(601,513)</u>	<u>(629,555)</u>
Cash and cash equivalents, end of year	<u>\$ 1,177,723</u>	<u>\$ 2,705,365</u>
NON-CASH TRANSACTIONS:		
State Appropriations Restricted for Capital Purposes	5,673,240	9,808,671

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

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.
- 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.

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

- 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 consists of tuition and fee charges to students. Accounts receivable also includes 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 consists 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 consists 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 consists 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.

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

- 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 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.

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

- 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 accumulation of major medical leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

- 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*

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

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.
- 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 increased 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 (\$40,297,745) at June 30, 2019, includes \$442,155 reserved for inventories; \$176,072 reserved for encumbrances; \$500,000 reserved for equipment; with (\$41,416,972) remaining for other purposes. The unrestricted net position balance of (\$36,938,360) at June 30, 2018, includes \$428,078 reserved for inventories; \$225,632 reserved for encumbrances; \$500,000 reserved for equipment; with (\$38,092,070) remaining for other purposes.

DELTA STATE UNIVERSITY

Notes to the Financial Statements
For the Year Ended June 30, 2019

- 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.

Note 2 - Prior Period Adjustments

For the year ended June 30, 2019 and 2018, the institution recorded the following prior period adjustments:

	<u>2019</u>	<u>2018</u>
Correction of prior year receivables	<u>\$ _____</u>	<u>\$ 798,707</u>

Note 3 - Cash and Investments

- 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 the Financial Statements
For the Year Ended June 30, 2019**

- B. **Investments** – The 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>2019</u>	<u>2018</u>
U.S. Government Agency Obligations	\$ 924,373	\$ 1,369,928
Mortgage Backed Securities	1,267,751	1,166,794
Certificates of Deposit	137,461	137,461
Money Market	<u>539,618</u>	<u>178,176</u>
Total	<u>\$ 2,869,203</u>	<u>\$ 2,852,359</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, 2019, the University had the following investments subject to interest rate risk:

	<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	\$ 924,373	\$ 29,398	\$894,975	\$ -	\$ -
Mortgage Backed Bonds	1,267,751	-	1,267,751	-	-
Certificates of Deposit	137,461	-	137,461	-	-
Money Market	<u>539,618</u>	<u>539,618</u>	-	-	-
Total	<u>\$ 2,869,203</u>	<u>\$ 569,016</u>	<u>\$ 2,300,187</u>	<u>\$ -</u>	<u>\$ -</u>

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

As of June 30, 2018, the University had the following investments subject to interest rate risk:

	<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	\$1,369,928	\$ 643,738	\$ 726,190	\$ -	\$ -
Mortgage Backed Bonds	1,166,794	-	261,110	905,684	-
Certificates of Deposit	137,461	-	137,461	-	-
Money Market	178,176	-	178,176	-	-
Total	<u>\$ 2,852,359</u>	<u>\$643,738</u>	<u>\$ 1,302,937</u>	<u>\$ 905,684</u>	<u>\$ -</u>

Fair Value Measurement

The following tables present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2019 and 2018

	<u>Hierarchy as of June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government agency obligations	\$ -	\$ 924,373	\$ -	\$ 924,373
Mortgage obligations and asset backed securities	-	1,267,751	-	1,267,751
Certificates of deposit	-	137,461	-	137,461
Money market funds	-	539,618	-	539,618
	<u>\$ -</u>	<u>\$ 2,869,203</u>	<u>\$ -</u>	<u>\$ 2,869,203</u>

	<u>Hierarchy as of June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government agency obligations	\$ -	\$1,369,928	\$ -	\$1,369,928
Mortgage obligations and asset backed securities	-	1,166,794	-	1,166,794
Certificates of deposit	-	137,461	-	137,461
Money market funds	-	178,176	-	178,176
	<u>\$ -</u>	<u>\$ 2,852,359</u>	<u>\$ -</u>	<u>\$ 2,852,359</u>

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

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, 2019 and 2018, respectively, the University had the following investment credit risk:

<u>Rating</u>	<u>Fair value at</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
AAA	<u>\$ 2,869,203</u>	<u>\$ 2,852,359</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:

	2019	%	2018	%
Certificate of Deposit & Money Market	\$ 166,858	5.82%	\$ 315,637	11.07%
Federal Farm Credit Bank Funding Corp	750,005	26.14%	726,190	25.46%
Federal Home Loan Mortgage Corporation	-	-%	494,965	17.35%
Federal Home Loan Board (FHLB)	-	-%	148,773	5.22%
Fannie Mae Mortgage Association	144,971	5.05%	765,048	26.82%
Federal National Mortgage Association	1,267,751	44.18%	156,600	5.49%
Freddie Mac	-	-%	245,146	8.59%
United States Treasury Bill	<u>539,618</u>	<u>18.81%</u>	<u>-</u>	<u>-%</u>
Total	<u>\$ 2,869,203</u>	<u>100.00%</u>	<u>\$ 2,852,359</u>	<u>100.00%</u>

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 4 - Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2019	2018
Student tuition	\$ 6,432,418	\$ 6,527,698
Auxiliary enterprises and other operating	1,126,979	720,556
Federal, State, and private grants and contracts	437,981	1,523,156
State appropriations	201,749	218,338
Accrued interest	<u>5,711</u>	<u>31,100</u>
Total Accounts receivable	8,204,838	9,020,848
Less allowance for doubtful accounts	<u>(3,383,642)</u>	<u>(3,366,935)</u>
Net receivables	<u>\$ 4,821,196</u>	<u>\$ 5,653,913</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, 2019, followed by the schedule for June 30, 2018.

	Interest Rates	Balance 2019	Current Portion	Non-Current Portion
Perkins Student Loans	5%	\$ 885,208	\$ 166,813	\$ 718,395
Institutional Loans	0%- 5%	<u>281,085</u>	<u>114,272</u>	<u>166,813</u>
Total Notes Receivable		1,166,293	281,085	885,208
Less Allowance for Doubtful Accounts		<u>(243,053)</u>	<u>-</u>	<u>(243,053)</u>
Net Notes Receivable		<u>\$ 923,240</u>	<u>\$ 281,085</u>	<u>\$ 642,155</u>

	Interest Rates	Balance 2018	Current Portion	Non-Current Portion
Perkins Student Loans	5%	\$ 1,625,788	\$ 284,813	\$ 1,340,975
Institutional Loans	0%- 5%	<u>78,139</u>	<u>14,924</u>	<u>63,215</u>
Total Notes Receivable		1,703,927	299,737	1,404,190
Less Allowance for Doubtful Accounts		<u>(243,053)</u>	<u>-</u>	<u>(243,053)</u>
Net Notes Receivable		<u>\$ 1,460,874</u>	<u>\$ 299,737</u>	<u>\$ 1,161,137</u>

DELTA STATE UNIVERSITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 6 - Capital Assets

Summaries of changes in capital assets for the years ended June 30, 2019 and 2018, respectively, are presented as follows:

	Balance July 1, 2018	Additions	Deletions	Adjustments	Balance June 30, 2019
Non-depreciable Capital Assets:					
Land	\$ 860,862	-	\$ -	\$ -	\$ 860,862
Construction in Progress	<u>35,022,126</u>	<u>5,673,240</u>	<u>40,566,475</u>	-	<u>128,891</u>
Total Non-depreciable Capital Assets	<u>35,882,988</u>	<u>5,673,240</u>	<u>40,566,475</u>	-	<u>989,753</u>
Depreciable Capital Assets:					
Infrastructure	12,682,177	8,572,275	-	-	21,254,452
Buildings	121,387,849	35,931,180	-	-	157,319,029
Equipment	12,662,363	1,033,277	555,827	-	13,139,813
Library Books	<u>16,649,817</u>	<u>421,067</u>	<u>1,505</u>	-	<u>17,069,379</u>
Total Depreciable Capital Assets	<u>163,382,206</u>	<u>45,957,799</u>	<u>557,332</u>	-	<u>208,782,673</u>
Less Accumulated Depreciation for:					
Infrastructure	6,874,163	336,282	-	-	7,210,445
Buildings	48,364,396	2,127,419	-	-	50,491,815
Equipment	9,968,143	757,653	545,725	-	10,180,071
Library Books	<u>15,063,624</u>	<u>472,546</u>	-	-	<u>15,536,170</u>
Total Accumulated Depreciation	<u>80,270,326</u>	<u>3,693,900</u>	<u>545,725</u>	-	<u>83,418,501</u>
Capital Assets, Net	<u>\$ 118,994,868</u>	<u>\$ 47,937,139</u>	<u>\$ 40,578,082</u>	\$ -	<u>\$ 126,353,925</u>

DELTA STATE UNIVERSITY

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 6 - Capital Assets (continued)

	Balance July 1, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
Non-depreciable Capital Assets:					
Land	\$ 860,862	-	\$ -	\$ -	\$ 860,862
Construction in Progress	<u>25,213,455</u>	<u>9,808,671</u>	-	-	<u>35,022,126</u>
Total Non-depreciable Capital Assets	<u>26,074,317</u>	<u>9,808,671</u>	-	-	<u>35,882,988</u>
Depreciable Capital Assets:					
Infrastructure	12,682,177	-	-	-	12,682,177
Buildings	128,551,051	82,706	7,245,908	-	121,387,849
Equipment	12,353,583	777,418	468,638	-	12,662,363
Library Books	<u>16,267,786</u>	<u>405,516</u>	<u>23,485</u>	-	<u>16,649,817</u>
Total Depreciable Capital Assets	<u>169,854,597</u>	<u>1,265,640</u>	<u>7,738,031</u>	-	<u>163,382,206</u>
Less Accumulated Depreciation for:					
Infrastructure	6,566,454	307,709	-	-	6,874,163
Buildings	46,374,934	1,989,462	-	-	48,364,396
Equipment	9,190,702	777,441	-	-	9,968,143
Library Books	<u>14,587,450</u>	<u>476,174</u>	-	-	<u>15,063,624</u>
Total Accumulated Depreciation	<u>76,719,540</u>	<u>3,550,786</u>	-	-	<u>80,270,326</u>
Capital Assets, Net	<u>\$ 119,209,374</u>	<u>\$ 7,523,525</u>	<u>\$ 7,738,031</u>	<u>\$ -</u>	<u>\$ 118,994,868</u>

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 6 - Capital Assets (continued)

As of June 30, 2019, capital assets included assets under capital leases with an original cost of \$1,928,918 and accumulated depreciation of \$1,302,437 for 2019 and \$1,106,514 for 2018.

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 life</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%	-

Note 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2019 and 2018, respectively, are as follows:

	<u>2019</u>	<u>2018</u>
Payable to vendors and contractors	\$ 1,248,766	\$ 1,034,083
Accrued salaries, wages, employee withholdings/fringes	731,382	1,482,078
Other	<u>346,746</u>	<u>152,957</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 2,326,894</u>	<u>\$ 2,669,118</u>

Note 8 – Deferred Revenues

Deferred revenues as of June 30, 2019 and 2018, respectively, are as follows:

	<u>2019</u>	<u>2018</u>
Unearned grants and contract revenue	<u>\$ 812,747</u>	<u>\$ 719,997</u>

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

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, 2019. 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, 2019, is listed in the following schedule along with a schedule detailing the annual requirements necessary to amortize the outstanding debt.

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 were fully retired in December 2018.

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 was paid in full in April 2018.

Master Equipment lease purchase agreement #11909516 was signed April 2, 2015 to purchase two John Deere Power Lawn Mowers to be used by DSU facilities management. Original lease was issued for \$87,026 with monthly payments beginning April 2, 2015. Interest rate is 4%. The Lease was paid in full April 1, 2019.

Master Equipment lease purchase agreement #POc0054 was signed March 4, 2015 to purchase 14 Club Car electric golf carts. Original lease was issued for \$64,362 with monthly payments beginning June 1, 2015. Interest rate is 4.17%. The lease was paid in full June 1, 2019

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 9 – Long-Term Liabilities (continued)

Long-term liabilities activity is shown as follows for the year ended June 30, 2019:

<u>Description and purpose</u>	<u>Original issue</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Balance 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2019</u>	<u>Due within one year</u>
Bonded debt								
Refunding bonds, series 2009A Student Housing Bonds-Blanset	3,135,000	2.5% to 3.75%	12/1/2018	\$ 430,000	\$ -	\$ 430,000	\$ -	\$ -
Facilities refinancing project Revenue refunding bonds, series 2016 Foundation Hall/Court of Gov	<u>15,105,000</u> 18,240,000	2.0% to 5.0%	12/1/2038	<u>13,900,000</u> <u>14,330,000</u>	-	<u>575,000</u> <u>1,005,000</u>	<u>13,325,000</u> <u>13,325,000</u>	<u>585,000</u> <u>585,000</u>
Capital leases								
Lawn mowers	87,026	4.0%	4/1/2019	17,336		17,336	-	-
Golf carts	<u>64,362</u>	4.17%	6/1/2019	<u>14,204</u>		<u>14,204</u>	-	-
Total Capital Leases	151,388			<u>31,540</u>		<u>31,540</u>	-	-
Other Long-term liabilities								
Accrued leave liabilities				1,463,614	41,489	-	1,505,103	242,827
Deposits refundable				110,063	-	5,854	104,209	-
Net pension liability				44,338,880	1,021,922	488,342	44,872,460	-
Net OPEB liability				3,212,943	55,329	-	3,268,272	-
Due to other funds				<u>152,957</u>	<u>148,683</u>	-	<u>301,640</u>	-
Total other long-term liabilities				<u>49,278,457</u>	<u>1,267,243</u>	<u>494,196</u>	<u>50,051,684</u>	<u>242,827</u>
Total				\$ 63,639,997	\$ 1,267,243	\$ 1,530,736	\$ 63,376,684	\$ 827,827
Due within one year							<u>(827,827)</u>	
Total non-current liabilities							<u>\$62,548,857</u>	

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 9 – Long-Term Liabilities (continued)

Long-term liabilities activity is shown as follows for the years ended June 30, 2018:

Description and purpose	Original issue	Interest rate	Maturity	Balance 2017	Additions	Deletions	Balance 2018	Due within one year
Bonded debt								
Refunding bonds, series 2009A		2.5% to						
Student Housing Bonds-Blanset	3,135,000	3.75%	12/1/2018	\$ 485,000	\$ -	\$ 415,000	\$ 430,000	\$ 430,000
Facilities refinancing project Revenue								
refunding bonds, series 2016	15,105,000	2.0% to	12/1/2038	14,460,000	-	560,000	13,900,000	575,000
Foundation Hall/Court of Gov	18,240,000	5.0%		15,305,000	-	975,000	14,330,000	1,005,000
Total Bonded debt								
Capital leases								
Aircraft	1,777,530	4.44%	4/10/2018	285,303	-	285,303	-	-
Lawn mowers	87,026	4.0%	4/1/2019	39,657	-	22,321	17,336	17,336
Golf carts	64,362	4.17%	6/1/2019	30,616	-	16,412	14,204	14,204
Total Capital Leases								
	1,928,918			355,576	-	324,036	31,540	31,540
Other Long-term liabilities								
Accrued leave liabilities				1,619,954	15,081	171,421	1,463,614	246,467
Deposits refundable				110,527	-	464	110,063	-
Net pension liability				47,229,075	8,221,537	11,111,732	44,338,880	-
Net OPEB liability				3,288,310	-	75,367	3,212,943	-
Due to other funds				1,898,548	28,007	1,773,598	152,957	-
Total other long-term liabilities								
				54,146,414	8,264,625	13,132,582	49,278,457	246,467
Total				\$ 63,639,990	\$ 8,264,625	\$ 14,431,619	\$ 63,639,997	\$ 1,282,388
Due within one year							(1,282,388)	
							\$62,357,609	

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 9 – Long-Term Liabilities (continued)

	Bonded Debt	Interest	Capital Leases	Interest	Total Payments
2020	\$ 585,000	\$ 494,700	\$ -	\$ -	\$ 1,079,700
2021	595,000	482,900	-	-	1,077,900
2022	610,000	470,850	-	-	1,080,850
2023-27	2,845,000	2,038,575	-	-	4,883,575
2028-32	3,135,000	1,410,750	-	-	4,545,750
2033-37	3,805,000	742,500	-	-	4,547,500
2037-40	<u>1,750,000</u>	<u>70,800</u>	<u>-</u>	<u>-</u>	<u>1,820,800</u>
Total	<u>\$ 13,325,000</u>	<u>\$ 5,711,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,036,075</u>

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:

Year ending June 30,	
2020	\$ 78,372
2021	78,372
2022	78,372
2023	-
2014	-
Thereafter	<u>-</u>
	<u>\$ 156,744</u>

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 11 - Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for the year ended June 30, 2019 and 2018, respectively, are shown on the following pages.

Note 11 - FY2019 Natural Classifications with Functional Classifications

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 14,184,683	\$ 4,751,294	\$ 286,192	\$ 1,124,887	\$ 12,111	\$ 348,621	\$ 694,906	\$ -	\$ -	\$ 21,402,694
Research	80,724	26,015	39,991	45,716	-	5,619	8,555	-	-	206,620
Public Service	808,066	237,343	58,990	819,355	16,755	110,731	462,694	-	-	2,513,934
Academic Support	3,013,493	984,746	175,284	1,687,463	-	53,212	579,028	-	-	6,493,226
Student Services	3,278,834	1,077,392	876,907	697,508	144	22,848	603,983	-	-	6,557,616
Institutional Support	3,256,573	1,173,772	85,503	2,159,374	-	-	323,924	-	317,403	7,319,549
Operation of Plant	2,432,046	1,043,275	8,781	7,846,894	1,041,590	-	363,081	3,693,901	-	16,429,568
Student Aid	20,906	2,706	-	33,454	-	5,444,683	-	-	-	5,501,749
Auxiliary Enterprises	1,042,891	400,447	4,063	4,224,672	666,711	25,764	330,703	-	-	6,695,251
Depreciation	-	-	-	-	-	-	-	-	-	-
Loan Expenses	-	-	-	1,053	-	-	-	-	5,273	6,326
Total Operating Expenses	\$ 28,118,216	\$ 9,696,990	\$ 1,538,711	\$ 18,640,376	\$ 1,737,311	\$ 6,011,478	\$ 3,366,874	\$ 3,693,901	\$ 322,676	\$ 73,126,533

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 11 - FY2018 Natural Classifications with Functional Classifications

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships		Commodities	Depreciation Expense	Other	Total
Instruction	\$ 14,134,398	\$ 5,590,253	\$ 323,838	\$ 1,556,406	\$ 14,707	\$ 533,217	\$ 1,020,160	\$ -	\$ -	\$ -	23,172,979
Research	250,330.	40,384	58,759	127,466	-	-	21,231	-	-	-	498,170
Public Service	803,139	257,858	87,038	1,138,651	12,278	159,092	500,989	-	-	-	2,959,045
Academic Support	2,838,936	1,096,408	107,967	1,667,801	-	32,627	936,193	-	-	-	6,679,932
Student Services	3,191,825	1,179,141	740,801	701,659	1,421	26,403	547,098	-	-	-	6,388,348
Institutional Support	3,067,963	1,260,184	33,447	1,870,318	-	450	326,320	-	-	-	6,558,682
Operation of Plant	2,454,519	1,180,667	4,028	4,431,393	1,090,485	-	794,053	-	-	-	9,955,144
Student Aid	40,349	2,475	243	-	-	6,429,967	5,664	-	-	-	6,478,698
Auxiliary Enterprises	916,198	460,882	3,307	4,334,361	694,540	-	474,163	-	-	-	6,883,451
Depreciation	-	-	-	-	-	-	-	3,550,786	-	-	3,550,786
Loan Expenses	-	-	-	-	-	-	-	-	33,169	-	33,169
Total Operating Expenses	\$ 27,697,657	\$ 11,068,252	\$ 1,359,428	\$ 15,828,055	\$ 1,813,431	\$ 7,181,756	\$ 4,625,871	\$ 3,550,786	\$ 33,169	\$ -	73,158,405

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 12 - Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2018. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

<u>Projects</u>	<u>Total Costs to Complete</u>	<u>Remaining Estimated Costs to Complete</u>	<u>Funded by Federal Sources</u>	<u>Funded by State Sources</u>	<u>Institutional Funds</u>	<u>Other</u>
Silvers roofing	\$ 2,850,000	\$ 2,772,216	\$ 2,850,000	\$ 2,850,000	\$ -	\$ -
Campus Roofing	<u>1,500,000</u>	<u>1,461,806</u>	-	<u>1,500,000</u>	-	-
Total	<u>\$ 4,350,000</u>	<u>\$ 4,234,022</u>	<u>\$ 2,850,000</u>	<u>\$ 4,350,000</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13 - Postemployment Health Care and Life Insurance Benefits

Plan Description

In addition to providing pension benefits, the University provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees' Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan.

The 14-member board is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees' Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 13 - Postemployment Health Care and Life Insurance Benefits- Continued

Membership and Benefits Provided

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, the Plan is considered a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

Contributions

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his or her state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 13 - Postemployment Health Care and Life Insurance Benefits- Continued

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

The audited financial report for the Plan can be found at knowyourbenefits.dfa.ms.gov.

At June 30, 2019 and 2018, the Plan provided health coverage to 327 and 334 employer units, respectively.

Disclosures under GASB Statement No. 75

The disclosures that follow for fiscal years 2019 and 2018 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2018). For fiscal year 2019, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2018. For fiscal year 2018, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2017. The University is presenting net OPEB liability as of June 30, 2018 and 2017 for the fiscal years 2019 and 2018 financials, respectively.

Proportionate Share Allocation Methodology

The basis for an employer's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the plan in the fiscal year of all employers. This allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the University reported a liability of \$3.3 million and \$3.2 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2019, the NOL was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2019 and 2018, the University's proportion was 0.42% and 0.41%, respectively.

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of \$156,246 and \$159,474, respectively.

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 13 - Postemployment Health Care and Life Insurance Benefits- Continued

See the following tables for deferred outflows and inflows of resources related to OPEB from the following sources:

2019						
Deferred outflows				Deferred inflows		
Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
6,654	129,199	142,563	278,416	232,871	—	232,871

\$142,563 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2020.

2018				
Deferred outflows			Deferred inflows	
Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Total deferred inflows of resources
46,944	136,973	183,917	163,602	163,602

\$136,973 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date was recognized as a reduction of the NOL in the year ended June 30, 2019.

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 13 - Postemployment Health Care and Life Insurance Benefits- Continued

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2018 measurement period is 6.4 years. The average remaining service life determined as of the beginning of the June 30, 2017 measurement period is 6.7 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred outflows (inflows) of resources year ended June 30						
2020	2021	2022	2023	2024	Thereafter	Total
(20,738)	(20,738)	(20,738)	(20,738)	(14,324)	258	(97,018)

Actuarial Methods and Assumptions

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the years ended June 30, 2019 and 2018:

	2019	2018
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2018	June 30, 2017
Experience study	April 18, 2017	April 18, 2017
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	3.00 %	3.00 %
Long-term expected rate of return	4.50 %	N/A
Discount rate	3.89 %	3.56 %
Projected cash flows	N/A	N/A
Projected salary increases	3.25% - 18.50%	3.25% - 18.50%
Healthcare cost trend rates	7.75% decreasing to 4.75% by 2028	7.75% decreasing to 5.00% by 2023

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future.

DELTA STATE UNIVERSITY

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 13 - Postemployment Health Care and Life Insurance Benefits- Continued

Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

Mortality

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

Discount Rate

For the years ended June 30, 2019 and 2018, the discount rate used to measure the total OPEB liability was 3.89% and 3.56%, respectively. The discount rate is based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return

At June 30, 2019, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50%. For fiscal year ended June 30, 2018, since there were no assets in a trust as of the measurement date, there was no projection of cash flows for the plan and no long-term expected rate of return on plan assets.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following tables presents the University's proportionate share of the NOL for 2019 and 2018, calculated using the discount rate of 3.56% and 3.89%, respectively, as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

DELTA STATE UNIVERSITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 13 - Postemployment Health Care and Life Insurance Benefits- Continued

	Discount Rate Sensitivity		
	1% Decrease (2.89%)	Current discount rate (3.89%)	1% Increase (4.89%)
Delta State University proportionate share of net OPEB liability 2019	\$ 3,622,798	\$ 3,268,272	\$ 2,963,368

	Discount Rate Sensitivity		
	1% Decrease (2.56%)	Current discount rate (3.56%)	1% Increase (4.56%)
Delta State University proportionate share of net OPEB liability 2018	\$ 3,297,794	\$ 3,212,943	\$ 3,149,753

Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following table presents the NOL of the University, calculated using the health care cost trend rates, as well as what the University's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Health Care Cost Trend Rates Sensitivity		
	1% Decrease	Current discount rate	1% Increase
Delta State University proportionate share of net OPEB liability 2019	\$ 3,027,500	\$ 3,268,272	\$ 3,541,720
2018	2,967,368	3,212,943	3,493,292

Note 14 - Federal Direct Lending and FFEL Programs

The University distributed \$14,812,446 and \$17,066,720 for the years ended June 30, 2019 and 2018, respectively, 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.

DELTA STATE UNIVERSITY

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

Note 15 - 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.