

DELTA STATE UNIVERSITY



Financial Report July 1, 2020 – June 30, 2021



Delta State University

Office of the President

December 20, 2021

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

Ladies and Gentlemen:

Enclosed is the annual financial report of Delta State University for the fiscal period July 1, 2020 through June 30, 2021.

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

Very best regards,

William N. LaForge
President

Enclosure

December 20, 2021

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, 2021. 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, 2021, 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/kd

Enclosure

DELTA STATE UNIVERSITY

FINANCIAL STATEMENTS

June 30, 2021

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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 2021, with fiscal year 2020 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, 2021.

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, 2021 and 2020 is as follows:

Statement of Net Position (thousands of dollars)		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Assets and Deferred Outflows		
Current assets	\$ 14,231	\$ 13,294
Capital assets, net	122,726	124,127
Other assets	2,039	(341)
Deferred Outflows	<u>5,565</u>	<u>4,878</u>
Total Assets and Deferred Outflows	<u>144,561</u>	<u>141,958</u>
Liabilities and Deferred Inflows		
Current liabilities	5,800	5,747
Noncurrent liabilities	67,121	65,415
Deferred Inflows	<u>1,648</u>	<u>839</u>
Total Liabilities and Deferred Inflows	<u>74,569</u>	<u>72,001</u>
Net Position		
Invested in capital assets, net of debt	110,581	111,386
Restricted – expendable	124	124
Unrestricted	<u>(40,713)</u>	<u>(41,554)</u>
Total Net Position	<u>\$ 69,992</u>	<u>\$ 69,957</u>

A review of the university's Statement of Net Position at June 31, 2021 and 2020 shows that the university is financially stable. Total net assets Increased by \$2,063 due to primarily an increase in Cash and Cash Equivalents.

Current assets consist of cash and short term investments, accounts receivable, student notes receivable, inventories, and pre-paid expenses. Total current assets increased by \$937. This increase was the result of an increase 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 increased by \$53 as a result of an increase in Accrued 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 \$979 increase in noncurrent assets during FY2021, due largely to an Increase in restricted cash and cash equivalents. Additional information regarding the University's restricted cash and cash equivalents may be found in Note 3 in the Notes to the Financial Statements.

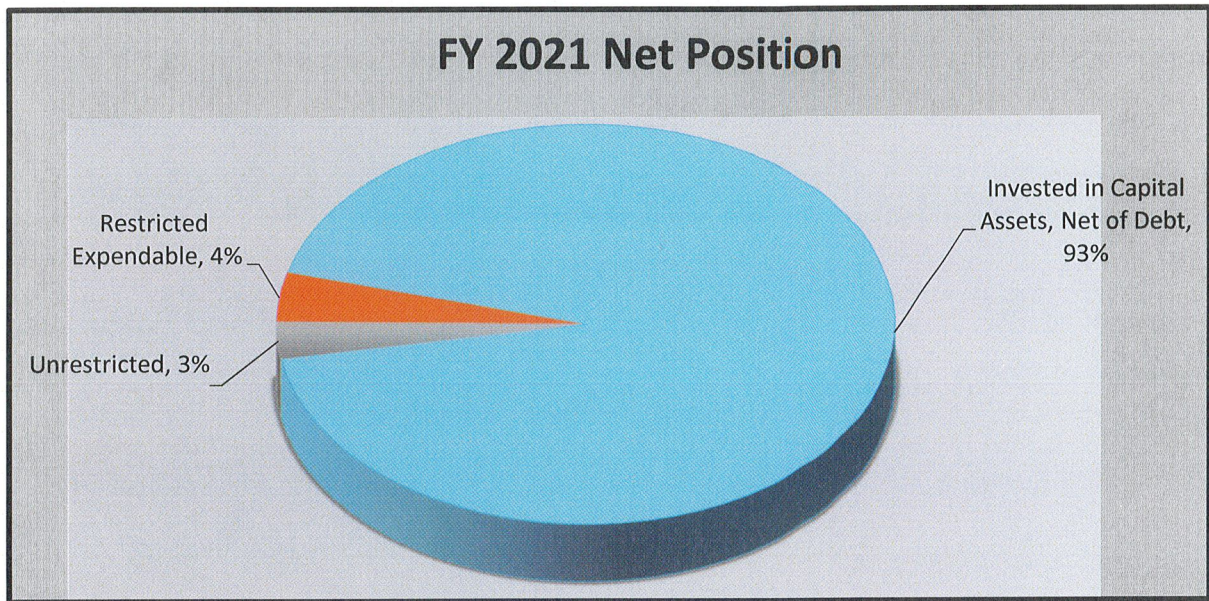
Noncurrent liabilities are primarily made up of accrued leave and long-term liabilities. Accrued leave increased by \$264 as the result of an increase in the net pension liability and major medical leave balances of university employees. Long-term liabilities decreased by \$610. This decrease was the 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 decreased in FY2021 by \$805.

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 \$486, encumbrances \$171, and equipment replacement \$500 with the remaining funds \$(41) 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, 2021 and 2020 is as follows:

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

	For the Year Ended <u>June 30, 2021</u>	<u>June 30, 2020</u>
Operating revenues	\$ 39,361	\$34,883
Operating expenses	<u>67,194</u>	<u>70,123</u>
Operating loss	(27,833)	(35,240)
Non-operating revenues and expenses	<u>24,205</u>	<u>26,038</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(3,678)	(9,202)
Increase (Decrease) in Net Assets	36	(2,577)
Net Position at Beginning of Year, Restated	69,956	72,534
Cumulative Effects of Change in Accounting Principle	0	
Prior Period Adj	0	0
Net Position at End of Year	\$ <u>69,992</u>	\$ <u>69,956</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a \$36 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 (22% of total operating revenues) increased by \$5,364.

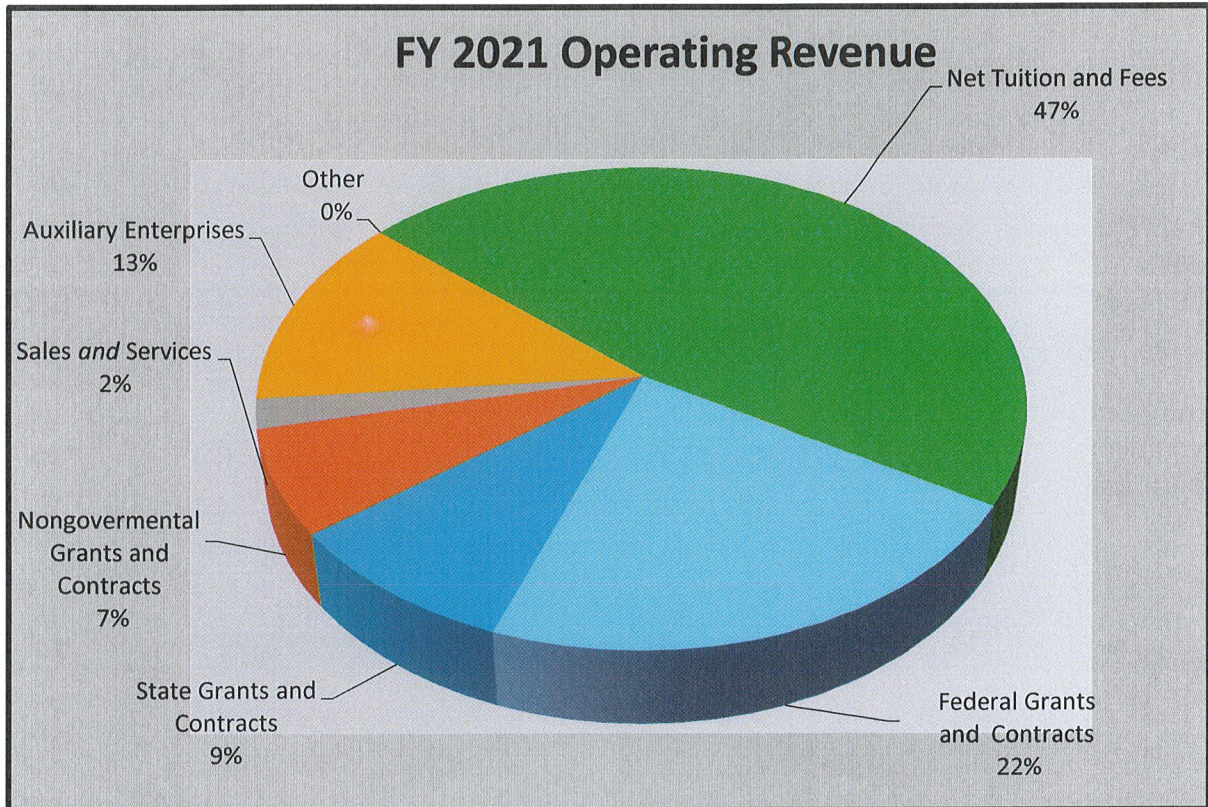
State grants and contracts (9% of total operating revenues) increased by \$2,903.

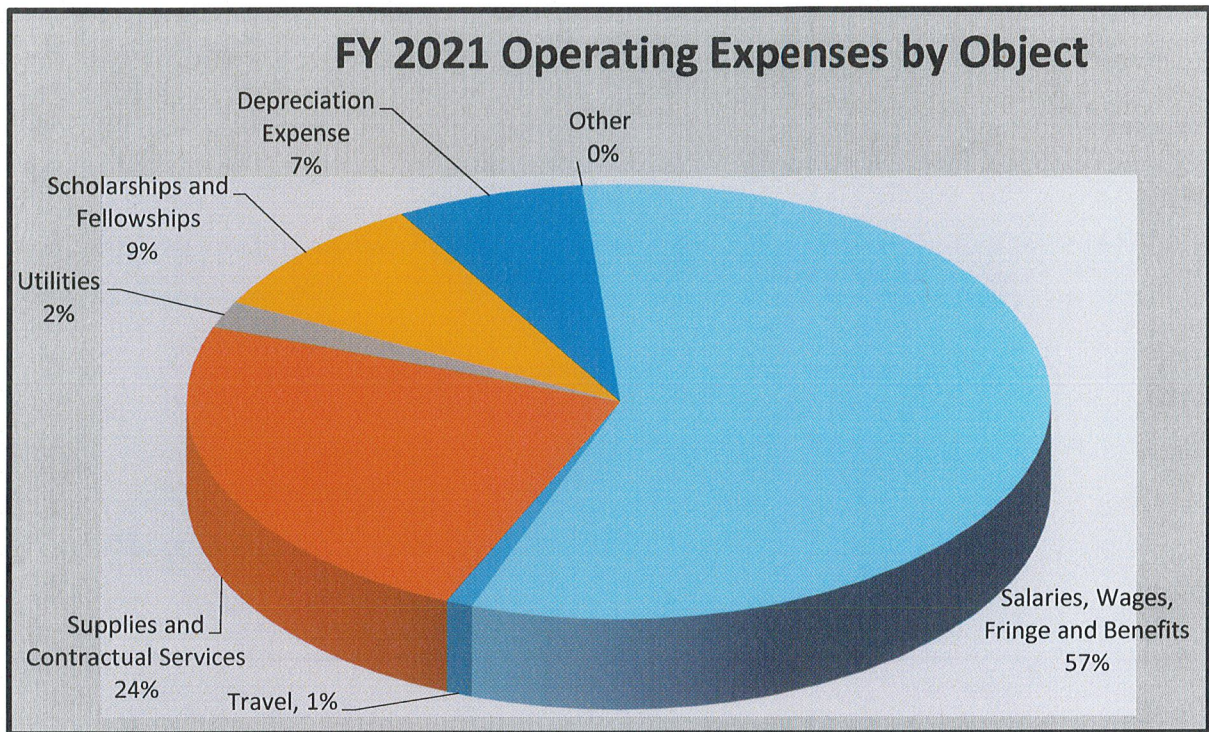
Nongovernmental grants and contracts (7% of total operating revenues) decreased by \$801.

Revenue from tuition and fees, net of scholarship allowances, decreased \$582 during the year. Net tuition represents 47% of total operating revenues. Full-time tuition was \$3,975 per semester, representing the same rate of tuition as the previous year.

Operating expenses are comprised of salaries, wages, and fringe benefits (57%), travel (1%), supplies and contractual services (24%), scholarships and fellowships (9%), depreciation (7%) and utility expenditures (2%). Operating expense decreased by \$2,929, primarily due to a decrease in travel and contractual Services.

State appropriations restricted for capital purposes decreased by \$334 thousand 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, 2021 and 2020 is shown below.

Statement of Cash Flows
(thousands of dollars)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash provided (used) by:		
Operating activities	\$(24,539)	\$(29,993)
Noncapital financing activities	26,822	28,818
Capital financing activities	(22)	3,605
Investing activities	18	2,562
Net Change in cash	\$ 2,279	\$ 4,993
Cash, beginning of year	6,171	1,177
Cash, end of year	<u>\$ 8,450</u>	<u>\$ 6,171</u>

The university's cash and cash equivalents increased by \$2,279. 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 \$19,980 in state of Mississippi appropriations.

Capital Asset and Debt Administration

During fiscal year 2021, 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 31% of total revenues. State appropriations decreased by \$1,073. State appropriations are expected to remain essentially the same in FY2022. The university's governing board increased tuition by \$225 in 2021. 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

STATEMENTS OF NET POSITION

	2021	2020
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents	\$ 7,895,991	7,074,426
Short term investments	380,819	382,751
Accounts receivables, net	5,148,979	5,206,295
Student notes receivables, net	318,592	245,491
Inventories	486,402	384,878
Prepaid expenses		-
Other current assets		
Total current assets	<u>14,230,783</u>	<u>13,293,841</u>
Noncurrent assets:		
Restricted cash and cash equivalents	554,476	(903,173)
Restricted short-term investments		
Other long term investments		-
Student notes receivable, net	368,279	562,559
Capital assets, net	122,726,414	124,126,649
Other noncurrent assets	116,376	
Total noncurrent assets	<u>123,765,545</u>	<u>123,786,035</u>
Total assets	<u>137,996,328</u>	<u>137,079,876</u>
Deferred outflows of resources	<u>6,565,003</u>	<u>4,878,200</u>
Total assets and deferred outflows of resources	<u><u>144,561,331</u></u>	<u><u>141,958,076</u></u>
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	3,780,707	3,603,762
Unearned revenues	1,011,358	1,240,099
Accrued leave liabilities - current portion	398,425	308,223
Long-term liabilities - current portion	610,000	595,000
Other current liabilities		
Total current liabilities	<u>5,800,490</u>	<u>5,747,084</u>
Noncurrent liabilities:		
Accrued leave liabilities	1,195,280	931,178
Deposits refundable	102,834	101,344
Long-term liabilities	11,535,000	12,145,000
Net pension liability	51,106,285	48,336,405
Net OPEB liability	3,181,438	3,556,677
Other noncurrent liabilities		344,324
Total noncurrent liabilities	<u>67,120,837</u>	<u>65,414,928</u>
Total liabilities	<u>72,921,327</u>	<u>71,162,012</u>
Deferred inflows of resources	<u>1,647,555</u>	<u>839,580</u>
Total liabilities and deferred inflows of resources	<u><u>74,568,882</u></u>	<u><u>72,001,592</u></u>
Net Position:		
Net investment in capital assets	110,581,414	111,386,649
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		
Research		
Other purposes		
Expendable:		
Scholarships and fellowships		
Research		
Capital projects	49,874	49,874
Debt service	74,623	-
Loans		74,623
Other purposes		
Unrestricted	<u>(40,713,462)</u>	<u>(41,554,662)</u>
Total net position	<u><u>\$ 69,992,449</u></u>	<u><u>69,956,484</u></u>

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

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Tuition and fees:	\$ 23,919,304	24,816,665
Less scholarship allowances	<u>(5,466,695)</u>	<u>(5,781,750)</u>
Net tuition and fees	18,452,609	19,034,915
Federal grants and contracts	8,552,399	3,188,434
State grants and contracts	3,639,076	736,136
Nongovernmental grants and contracts	2,903,948	3,705,111
Sales and services of educational departments	758,874	1,353,778
Auxiliary enterprises:		
Student housing	2,528,069	3,408,135
Food services	1,896,429	2,749,230
Bookstore	136,229	151,083
Other auxiliary revenues	90,313	322,018
Interest earned on loans to students	30,380	22,070
Other operating revenues, net	<u>372,769</u>	<u>212,025</u>
Total operating revenues	<u>39,361,095</u>	<u>34,882,935</u>
Operating expenses:		
Salaries and wages	27,891,193	27,292,377
Fringe benefits	10,459,803	10,820,419
Travel	542,568	956,497
Contractual services	10,781,648	16,158,225
Utilities	1,469,796	1,619,692
Scholarships and fellowships	5,886,771	5,524,567
Commodities	5,241,477	2,818,729
Depreciation	4,584,963	4,575,241
Other operating expenses	<u>335,910</u>	<u>357,319</u>
Total operating expenses	<u>67,194,129</u>	<u>70,123,066</u>
Operating loss	<u>(27,833,034)</u>	<u>(35,240,131)</u>
Nonoperating revenues (expenses):		
State appropriations	19,980,043	21,053,516
Gifts and grants	5,248,591	6,068,697
Investment income	16,818	76,178
Interest expense on capital asset-related debt	(482,900)	(494,700)
Other nonoperating revenues	-	-
Other nonoperating expenses	<u>(557,689)</u>	<u>(665,299)</u>
Total nonoperating revenues (expenses), net	<u>24,204,863</u>	<u>26,038,392</u>
Loss before other revenues, expenses, gains and losses	<u>(3,628,171)</u>	<u>(9,201,739)</u>
Other revenues, expenses, gains and losses:		
Capital grants and gifts		
State appropriations restricted for capital purposes	3,119,810	3,454,191
Other additions	582,484	3,169,650
Other deletions	<u>(38,158)</u>	<u>-</u>
Change in net position	<u>35,965</u>	<u>(2,577,898)</u>
Net position, beginning of the year	<u>69,956,484</u>	<u>72,534,382</u>
Effect of adoption of GASB 75	-	-
Prior Period adjustments	-	-
Net position, beginning of year, as restated	<u>69,956,484</u>	<u>72,534,382</u>
Net position, end of the year	<u>\$ 69,992,449</u>	<u>69,956,484</u>

DELTA STATE UNIVERSITY

STATEMENT OF CASH FLOWS

	<u>2021</u>	<u>2020</u>
Operating activities:		
Tuition and fees	\$ 18,198,493	18,761,956
Grants and contracts	14,970,448	7,866,019
Sales and services of educational departments	758,874	1,353,778
Payments to suppliers	(15,938,265)	(19,162,517)
Payments to employees for salaries and benefits	(36,066,207)	(35,405,981)
Payments for utilities	(1,469,796)	(1,619,692)
Payments for scholarships and fellowships	(5,886,771)	(5,524,567)
Loans Issued to students and employees		
Collection of loans from students and employees	151,559	137,260
Auxiliary enterprise charges:		
Student housing	1,919,559	2,820,270
Food services	1,948,454	2,855,867
Bookstore	136,229	151,083
Other auxiliary enterprises	90,313	322,018
Interest earned on loans to students		
Other receipts	281,934	24,529
Other payments	(3,633,894)	(2,573,369)
Net cash used by operating activities	<u>(24,539,070)</u>	<u>(29,993,346)</u>
Noncapital financing activities:		
State appropriations	19,980,043	21,053,516
Gifts and grants for other than capital purposes	5,248,591	6,068,697
Federal loan program receipts	14,463,104	16,987,562
Federal loan program disbursements	(12,331,023)	(14,629,983)
Other uses	(538,662)	(661,438)
Net cash provided by noncapital financing activities	<u>26,822,053</u>	<u>28,818,354</u>
Capital and related financing activities:		
Proceeds from capital debt	6,590	
Cash paid for capital assets	(3,248,503)	(2,290,425)
Capital appropriations received	3,119,810	3,454,191
Capital grants and contracts received		
Proceeds from sales of capital assets		
Principal paid on capital debt and leases	(595,000)	(585,000)
Interest paid on capital debt and leases	(482,900)	(494,700)
Other sources	1,196,511	3,525,687
Other uses	(19,027)	(3,861)
Net cash used by capital and related financing activities	<u>(22,519)</u>	<u>3,605,892</u>
Investing activities:		
Proceeds from sales and maturities of investments	2,505	2,488,784
Interest received on investments	16,245	73,846
Purchases of investments		-
Net cash used by investing activities	<u>18,750</u>	<u>2,562,630</u>
Net change in cash and cash equivalents	2,279,214	4,993,530
Cash and cash equivalents - beginning of year	<u>6,171,253</u>	<u>1,177,723</u>
Cash and cash equivalents - end of year	<u>\$ 8,450,467</u>	<u>6,171,253</u>

DELTA STATE UNIVERSITY

STATEMENT OF CASH FLOWS

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (27,833,034)	(35,240,131)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation expense	4,584,963	4,575,241
Self-insured claims expense		-
Provision for uncollectible receivables	298,501	327,218
Other		
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(241,185)	(712,317)
Inventories	(101,524)	58,278
Prepaid Expenses		222,473
Loans to Students and Employees	121,179	115,190
Deferred outflow of resources	(818,764)	(1,299,593)
Other Assets	(116,376)	-
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	176,945	1,276,868
Unearned Revenue	(228,741)	427,352
Deposits Refundable	1,490	(2,865)
Accrued Leave Liability	354,304	(94,281)
Net pension liability	2,769,880	3,463,945
Net OPEB liability	(375,239)	288,405
Deferred inflow of resources	(60,064)	(499,236)
Other Liabilities	(3,071,405)	(2,899,893)
Total Adjustments	<u>3,293,964</u>	<u>5,246,785</u>
Net cash used in operating activities	\$ <u>(24,539,070)</u>	<u>(29,993,346)</u>
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	\$ 7,895,991	7,074,426
Noncurrent assets - restricted cash and cash equivalents	<u>554,476</u>	<u>(903,173)</u>
Cash and cash equivalents, end of year	\$ <u><u>8,450,467</u></u>	<u><u>6,171,253</u></u>
ENTER NON-CASH TRANSACTIONS BELOW: (See GASB #9, Paragraph 37)		
State Appropriations Restricted for Capital Purposes	3,119,810	3,454,191
Donation of Capital Assets		

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 1 - Summary of Significant Accounting Policies - Continued

- 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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies - Continued

- 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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies - Continued

- 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.

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies - Continued

T. Classification of Revenues and Expenses – Continued

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.

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.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies - Continued

W. Equity Classifications - Continued

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 (\$40,713,462) at June 30, 2021, includes \$486,402 reserved for inventories; \$171,759 reserved for encumbrances; \$500,000 reserved for equipment; with (\$41,871,623) remaining for other purposes. The unrestricted net position balance of (\$41,554,662) at June 30, 2020, includes \$384,878 reserved for inventories; \$176,072 reserved for encumbrances; \$500,000 reserved for equipment; with (\$42,615,612) 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.

Note 2 - 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).

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 2 - Cash and Investments - Continued

A. Cash and Short-Term Investments – Continued

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.

- 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 cash and investments by type at June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 7,895,991	\$ 7,074,426
Restricted cash and cash equivalents	554,476	(903,173)
U.S. government agency securities	23,096	-
Certificates of deposit	137,461	137,461
Money market funds	<u>220,262</u>	<u>245,290</u>
Total Cash and Investments	<u>\$ 8,831,286</u>	<u>\$ 6,554,004</u>
Reconciling to Statement of Net Position		
Cash and cash equivalents	\$ 7,895,991	\$ 7,074,426
Restricted cash and equivalents	<u>554,476</u>	<u>(903,173)</u>
Total Cash and cash equivalents	<u>\$ 8,450,467</u>	<u>\$ 6,171,253</u>
ST investments	<u>\$ 380,819</u>	<u>\$ 382,751</u>

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 2 - Cash and Investments - Continued

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.

The University had the following investments subject to interest rate risk as of June 30:

Investment Type	2021				
	Years to maturity				
	Fair value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Agency Obligation:	\$ 23,096	\$ -	\$ -	\$ -	\$23,096
Certificates of Deposit	137,461	137,461	-	-	-
Other fixed income securities	220,262	220,262	-	-	-
Total	<u>\$ 380,819</u>	<u>\$357,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$23,096</u>

Investment Type	2020				
	Years to maturity				
	Fair value	Less than 1	1 - 5	6 - 10	More than 10
Certificates of Deposit	<u>\$ 137,461</u>	<u>\$ -</u>	<u>\$137,461</u>	<u>\$ -</u>	<u>\$ -</u>

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 2 - Cash and Investments - Continued

Fair Value Measurement

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

2021				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income:				
U.S. Government agency securities	\$ -	\$ 23,096	\$ -	\$ 23,096
Certificates of deposit	-	137,461	-	137,461
Money market funds	-	220,262	-	220,262
Total fixed income	-	380,819	-	380,819
 Total investments	 \$ -	 \$ 380,819	 \$ -	 \$ 380,819

2020				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income:				
Certificates of deposit	\$ -	\$137,461	\$ -	\$137,461
Money market funds	-	245,290	-	245,290
Total fixed income	-	382,751	-	382,751
 Total investments	 \$ -	 \$382,751	 \$ -	 \$382,751

Credit Risk

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

	<u>2021</u>	<u>2020</u>
Investments excluded from credit risk disclosure:		
CDs	\$ 137,461	\$ 137,461
Money Market funds	243,358	245,290
Total investments excluded from credit risk disclosure	\$ 380,819	\$ 382,751
 Total investments	 \$ 380,819	 \$ 382,751

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

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 2 - Cash and Investments - Continued

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>2021</u>		<u>2020</u>	
	<u>Fair value</u>	<u>Percentage</u>	<u>Fair value</u>	<u>Percentage</u>
Trustmark Bank	\$243,358	63.90%	\$245,290	64.09%
Various (no single issuer exceeds 5% of total)	<u>137,461</u>	<u>36.10%</u>	<u>137,461</u>	<u>35.91%</u>
	<u>\$380,819</u>	<u>100.00%</u>	<u>\$382,751</u>	<u>100.00%</u>

Note 3 - Accounts Receivable

Accounts receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Student tuition	\$ 6,713,306	\$ 6,665,958
Auxiliary enterprises and other operating activities	1,517,428	1,250,037
Federal, state, and private grants and contracts	610,260	637,158
State Appropriations	<u>272,902</u>	<u>334,998</u>
Total Accounts receivable	9,113,896	8,888,151
Less allowance for doubtful accounts	<u>(3,964,917)</u>	<u>(3,681,856)</u>
Net receivables	<u>\$ 5,148,979</u>	<u>\$ 5,206,295</u>
Current	<u>\$ 5,148,979</u>	<u>\$ 5,206,295</u>
Non-current	<u>\$ -</u>	<u>\$ -</u>

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 4 - 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:

	Interest Rates	Current Portion	Non-Current Portion	2021
Perkins student loans	5%	\$ 318,592	\$ 403,057	\$ 721,649
Institutional loans	0% to 5%	<u>-</u>	<u>208,275</u>	<u>208,275</u>
Total Notes receivable		318,592	611,332	929,924
Less allowance for doubtful accounts		<u>-</u>	<u>(243,053)</u>	<u>(243,053)</u>
Net Notes receivable		<u>\$ 318,592</u>	<u>\$ 368,279</u>	<u>\$ 686,871</u>

	Interest Rates	Current Portion	Non-Current Portion	2020
Perkins student loans	5%	\$ 245,491	\$ 624,320	\$ 869,811
Institutional loans	0% to 5%	<u>-</u>	<u>181,292</u>	<u>181,292</u>
Total Notes receivable		245,491	805,612	1,051,103
Less allowance for doubtful accounts		<u>-</u>	<u>(243,053)</u>	<u>(243,053)</u>
Net Notes receivable		<u>\$ 245,491</u>	<u>\$ 562,559</u>	<u>\$ 808,050</u>

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 5 - Capital Assets

Summaries of changes in capital assets for the years ended June 30, 2021 and 2020, respectively, are presented as follows:

	Balance July 01, 2020	Additions	Deletions	Prior Period Adjustments	Balance June 30, 2021
Non-depreciable capital assets:					
Land	\$ 860,862	\$ -	\$ -	-	\$ 860,862
Construction in progress	1,882,163	3,119,810	3,347,139	-	1,654,834
Total non-depreciable capital assets	<u>2,743,025</u>	<u>3,119,810</u>	<u>3,347,139</u>	<u>-</u>	<u>2,515,696</u>
Depreciable capital assets:					
Buildings	157,319,030	1,975,250	60,280	104	159,234,104
Infrastructure	21,254,452	-	-	-	21,254,452
Equipment	13,097,054	1,093,510	272,290	-	13,918,274
Library Books	17,482,480	407,072	3,815	-	17,885,737
Total depreciable capital assets	<u>209,153,016</u>	<u>3,475,832</u>	<u>336,385</u>	<u>104</u>	<u>212,292,567</u>
Total capital assets	211,896,041	6,595,642	3,683,524	104	214,808,263
Less accumulated depreciation for:					
Buildings	53,241,421	2,721,267	48,225	(3,270)	55,911,193
Infrastructure	7,851,655	638,432	-	-	8,490,087
Equipment	10,834,152	775,629	262,543	-	11,347,238
Library Books	15,842,164	449,635	-	41,532	16,333,331
Total accumulated depreciation	<u>87,769,392</u>	<u>4,584,963</u>	<u>310,768</u>	<u>38,262</u>	<u>92,081,849</u>
Capital Assets, Net	<u>\$124,126,649</u>	<u>\$2,010,679</u>	<u>\$3,372,756</u>	<u>\$ (38,158)</u>	<u>\$122,726,414</u>

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 5 - Capital Assets - Continued

	Balance July 01, 2019	Additions	Deletions	Prior Period Adjustments	Balance June 30, 2020
Non-depreciable capital assets:					
Land	\$ 860,862	\$ -	\$ -	\$ -	\$ 860,862
Construction in Progress	128,891	3,454,191	1,700,919	-	1,882,163
Total non-depreciable capital assets	989,753	3,454,191	1,700,919	-	2,743,025
Depreciable capital assets:					
Buildings	157,319,030	-	-	-	157,319,030
Infrastructure	21,254,452	-	-	-	21,254,452
Equipment	13,139,813	121,836	164,595	-	13,097,054
Library Books	17,069,379	415,316	2,215	-	17,482,480
Total depreciable capital assets	208,782,674	537,152	166,810	-	209,153,016
Total capital assets	209,772,427	3,991,343	1,867,729	-	211,896,041
Less accumulated depreciation for:					
Buildings	50,491,815	2,749,606	-	-	53,241,421
Infrastructure	7,210,445	641,210	-	-	7,851,655
Equipment	10,180,070	817,031	162,949	-	10,834,152
Library Books	15,474,770	367,394	-	-	15,842,164
Total accumulated depreciation	83,357,100	4,575,241	162,949	-	87,769,392
Capital Assets, Net	\$126,415,327	\$ (583,898)	\$1,704,780	\$ -	\$124,126,649

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 5 - Capital Assets - Continued

As of June 30, 2021, capital assets included assets under capital leases with an original cost of \$- and accumulated depreciation of \$- for 2021 and \$0 for 2020.

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 6 –

Due From Outside Agencies of June 30, 2021 and 2020, respectively, are as follows:

	<u>2021</u>	<u>2020</u>
Agencies	\$ 116,376	\$ -
Total due to outside agencies	<u>\$ 116,376</u>	<u>\$ -</u>

Note 7 – Deferred Outflows and Inflows of Resources

	<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension related (see note 14)	\$ 5,880,697	\$ 868,309
OPEB related (see note 14)	<u>684,306</u>	<u>779,516</u>
Totals	<u>\$ 6,565,003</u>	<u>\$ 1,647,555</u>

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 7 – Deferred Outflows and Inflows of Resources - Continued

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension related (see note 14)	\$ 4,376,515	\$ 580,853
OPEB related (see note 14)	<u>501,685</u>	<u>258,727</u>
Totals	<u>\$ 4,878,200</u>	<u>\$ 839,580</u>

Note 8 – Accounts Payable

Accounts payable of June 30, 2021 and 2020, respectively, are as follows:

	<u>2021</u>	<u>2020</u>
Payable to vendors and contractors	\$ 844,653	\$ 1,069,008
Accrued salaries, wages, employee withholdings/fringes	2,318,774	1,904,102
Other	<u>617,280</u>	<u>630,652</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 3,780,707</u>	<u>\$ 3,603,762</u>

Note 9 – Deferred Revenues

Deferred revenues as of June 30, 2021 and 2020, respectively, are as follows:

	<u>2021</u>	<u>2020</u>
Contracts and grants	<u>\$ 1,011,358</u>	<u>\$ 1,240,099</u>

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 10 - Materially Blended units

	<u>2021</u>	<u>2020</u>
Total Current Assets	\$ -	\$ -
Total Noncurrent Assets	<u>12,145,000</u>	<u>12,740,000</u>
Total Assets	12,145,000	12,740,000
Deferred outflow of resources	-	-
Total Current Liabilities	610,000	595,000
Total Noncurrent Liabilities	<u>11,535,000</u>	<u>12,145,000</u>
Total Liabilities	12,145,000	12,740,000
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ -</u>	<u>\$ -</u>
Total Operating Revenues	\$ -	\$ -
Total Operating Expenses	<u>-</u>	<u>-</u>
Operating Income (Loss)	-	-
Total Nonoperating Revenues	1,081,900	1,079,700
Total Nonoperating Expenses	<u>(1,081,900)</u>	<u>(1,079,700)</u>
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 11 – 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, 2021. 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, 2021, is listed in the following schedule along with a schedule detailing the annual requirements necessary to amortize the outstanding debt.

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.

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 11 – Long-Term Liabilities - Continued

Long-term liabilities activity is shown as follows for the year ended June 30, 2021:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonded Debt								
EBC - Series 2016	<u>15,105,000</u>	2.00% to 5.00%	2039	<u>\$12,740,000</u>	<u>\$ -</u>	<u>\$ 595,000</u>	<u>\$12,145,000</u>	<u>\$ 610,000</u>
Total Bonded Debt	<u>15,105,000</u>			<u>12,740,000</u>	<u>-</u>	<u>595,000</u>	<u>12,145,000</u>	<u>610,000</u>
Capital Leases				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Long-term Liabilities:								
Accrued leave liabilities				1,239,401	354,304	-	1,593,705	398,425
Deposits refundable				101,344	1,490	-	102,834	-
Net pension liability				48,336,405	2,769,880	-	51,106,285	-
Net OPEB liability				3,556,677	-	375,239	3,181,438	-
Federal Loan Fund								
Repayment Contingency				<u>344,324</u>	<u>-</u>	<u>344,324</u>	<u>0</u>	<u>-</u>
Total Other liabilities				<u>53,578,151</u>	<u>3,125,674</u>	<u>835,939</u>	<u>55,984,262</u>	<u>398,425</u>
Total				<u>\$66,318,151</u>	<u>\$3,125,674</u>	<u>\$1,430,939</u>	<u>68,129,262</u>	<u>\$1,008,425</u>
Due within one year							<u>(1,008,425)</u>	
Total noncurrent liabilities							<u>\$67,120,837</u>	

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 11 – Long-Term Liabilities - Continued

Long-term liabilities activity is shown as follows for the years ended June 30, 2020:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonded Debt								
EBC - Series 2016	<u>15,105,000</u>	2.00% to 5.00%	2039	<u>\$13,325,000</u>	<u>\$ -</u>	<u>\$ 585,000</u>	<u>\$12,740,000</u>	<u>\$ 595,000</u>
Total Bonded Debt	<u>15,105,000</u>			<u>13,325,000</u>	<u>-</u>	<u>585,000</u>	<u>12,740,000</u>	<u>595,000</u>
Capital Leases				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Long-term Liabilities:								
Accrued leave liabilities				1,505,103	-	265,702	1,239,401	308,223
Deposits refundable				104,209	-	2,865	101,344	-
Net pension liability				44,872,460	3,463,945	-	48,336,405	-
Net OPEB liability				3,268,272	288,405	-	3,556,677	-
Federal Loan Fund Repayment Contingency				<u>301,640</u>	<u>42,684</u>	<u>-</u>	<u>344,324</u>	<u>-</u>
Total Other liabilities				<u>50,051,684</u>	<u>3,795,034</u>	<u>268,567</u>	<u>53,578,151</u>	<u>308,223</u>
Total				<u>\$63,376,684</u>	<u>\$3,795,034</u>	<u>\$ 853,567</u>	<u>66,318,151</u>	<u>\$ 903,223</u>
Due within one year							<u>(903,223)</u>	
Total noncurrent liabilities							<u>\$65,414,928</u>	

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 11 – Long-Term Liabilities - Continued

Fiscal Year	Bonded Debt	Capital Leases	Notes Payable	Interest	Total
2022	\$ 610,000	\$ -	\$ -	\$ 470,850	\$ 1,080,850
2023	620,000	-	-	458,550	1,078,550
2024	650,000	-	-	436,100	1,086,100
2025	500,000	-	-	407,350	907,350
2026	525,000	-	-	381,725	906,725
2027 - 2031	3,015,000	-	-	1,530,000	4,545,000
2032 - 2036	3,650,000	-	-	891,600	4,541,600
2037 - 2041	2,575,000	-	-	157,300	2,732,300
2042 - 2046	-	-	-	-	-
2047 - 2051	-	-	-	-	-
Thereafter	-	-	-	-	-
Totals	\$12,145,000	\$ -	\$ -	\$ 4,733,475	\$16,878,475

Note 12 - Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for the year ended June 30, 2021 and 2020, respectively, are shown on the following pages.

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 12 - FY2021 Natural Classifications with Functional Classifications - Continued

Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Scholarships and fellowships			Commodities	Depreciation expense	Other	Total
					Utilities						
Instruction	\$ 14,117,822	\$ 4,942,038	\$ 40,135	\$ 825,747	\$ 14,351	\$ 181,184	\$ 1,398,717	\$ -	\$ -	-	\$ 21,519,994
Research	22,407	1,646	280	113,427	-	-	82,883	-	-	-	220,643
Public Service	717,079	234,557	7,471	418,433	749	1,675	134,050	-	-	-	1,514,014
Academic Support	2,790,712	1,087,716	14,922	1,332,361	-	23,601	381,052	-	-	-	5,630,364
Student Services	3,113,974	1,258,133	467,261	489,604	283	470,743	1,108,692	-	-	-	6,908,690
Institutional Support	3,568,986	1,401,007	8,074	2,742,581	-	24,589	507,785	-	298,501	-	8,551,523
Operation of Plant	2,278,416	1,052,929	3,382	1,130,414	891,706	-	716,075	-	-	-	6,072,922
Student Aid	269,283	67,445	-	121,181	-	5,180,819	567,217	-	-	-	6,205,945
Auxiliary Enterprises	1,012,514	414,332	1,043	3,283,172	562,707	4,160	345,006	-	-	-	5,622,934
Depreciation	-	-	-	-	-	-	-	4,584,963	-	-	4,584,963
Loan Fund expenses	-	-	-	324,728	-	-	-	-	37,409	-	362,137
Total	\$ 27,891,193	\$ 10,459,803	\$ 542,568	\$ 10,781,648	\$ 1,469,796	\$ 5,886,771	\$ 5,241,477	\$ 4,584,963	\$ 335,910	\$ 67,194,129	

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 12 - FY2020 Natural Classifications with Functional Classifications - Continued

Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Scholarships and fellowships			Commodities	Depreciation expense	Other	Total
					Utilities						
Instruction	\$ 14,254,216	\$ 6,326,931	\$ 194,857	\$ 933,398	\$ 11,943	\$ 373,777	\$ 1,245,176	\$ -	\$ -	-	\$ 23,340,298
Research	14,586	-	1,484	74,985	-	-	-	-	-	-	91,055
Public Service	856,837	246,117	62,544	658,296	14,635	72,255	176,225	-	-	-	2,086,909
Academic Support	2,648,070	880,228	118,055	762,504	-	16,349	150,468	-	-	-	4,575,674
Student Services	3,041,140	1,027,295	541,828	656,806	152	16,349	527,370	-	-	-	5,810,940
Institutional Support	3,090,158	1,020,474	31,987	3,637,820	-	22,812	75,501	-	327,218	-	8,205,970
Operation of Plant	2,267,553	888,553	6,474	4,438,231	977,711	-	414,949	-	-	-	8,993,471
Student Aid	55,756	54,153	488	1,132,740	-	5,005,330	36,696	-	-	-	6,285,163
Auxiliary Enterprises	1,064,063	376,665	-	3,553,565	615,251	17,695	190,348	-	-	-	5,817,587
Depreciation	-	-	-	-	-	-	-	4,584,963	-	-	4,584,963
Loan Fund expenses	-	-	-	309,880	-	-	-	-	30,099	-	339,979
Total	\$ 27,292,379	\$ 10,820,416	\$ 957,717	\$ 16,158,225	\$ 1,619,692	\$ 5,524,567	\$ 2,816,733	\$ 4,584,963	\$ 357,317	\$ 70,132,009	

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 13 - 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,

2022	\$ 78,372
2023	-
2024	-
2025	-
2026	-
2027 - 2031	-
2032 - 2036	-
2037 - 2041	-

Payments Required \$ 78,372

Annual rental expense \$ -

Note 14 - Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2021. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Projects	Remaining estimated cost to complete	Funded by			
		Federal Sources	State Sources	Institutional Sources	Other Sources
HVAC Improvements - Aquatic	\$ 151,290	\$ -	\$ 151,290	\$ -	\$ -
Nursing - Preplan	73,400	-	73,400	-	-
Residence Hall Renovations - LW	2,428,973	-	2,428,973	-	-
Elevator Improvements	1,112,551	-	1,112,551	-	-
Residence Hall Renovations - CT & FH	<u>1,947,532</u>	<u>-</u>	<u>1,947,532</u>	<u>-</u>	<u>-</u>
Totals	<u>\$5,713,746</u>	<u>\$ -</u>	<u>\$5,713,746</u>	<u>\$ -</u>	<u>\$ -</u>

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans

The University participates in the following separately administered plans maintained by Public Employees' Retirement System of Mississippi (PERS):

Plan Type	Plan Name
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined contributions	Optional Retirement Plan (ORP) Defined Contribution Plan

The employees of the University are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2020 for fiscal year 2021 and June 30, 2019 for fiscal year 2020.

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 boards 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 is available at www.pers.ms.gov.

Disclosures under GASB Statement No. 68

The pension disclosures that follow for fiscal years 2021 and 2020 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2019). For fiscal year 2021, the measurement date for the PERS defined benefit plan is June 30, 2020. For fiscal year 2020, the measurement date for the PERS defined benefit plan is June 30, 2019. The University is presenting net pension liability as of June 30, 2020 and 2019 for the fiscal years 2021 and 2020 financials, respectively.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan

Plan Description

The PERS of Mississippi 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, 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.

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.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan – Continued

Membership and Benefits Provided - Continued

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 9.00% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2021 and 2020 was 17.40% for each year of annual payroll. Contributions from the University are recognized when legally due based on statutory requirements.

Employer Contributions

The University's contributions to PERS for the years ended June 30, 2021 and 2020 was \$3.1 million. The University's proportionate share was calculated on the basis of historical contributions. Employer allocation percentages are based on the ratio of each employer's actual contribution to the Plan's total actual contributions.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan – Continued

Employer Contributions - Continued

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

	<u>Proportionate share of contributions</u>	<u>Allocation percentage of proportionate share of collective pension</u>	<u>Change in proportionate share of collective pension amount</u>
PERS defined benefits plan:			
2021	\$ 3,058,705	0.26%	-0.01%
2020	\$ 2,818,411	0.27%	0.00%

Net Pension Liability

The University's proportion of the net pension liability at June 30, 2021 and 2020 is as follows:

	<u>Proportionate share of net pension liability</u>	<u>Proportion of net pension liability</u>
PERS defined benefits plan:		
2021	\$ 51,106,285	0.26%
2020	\$ 48,336,405	0.27%

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan – Continued

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

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. For the years ended June 30, 2021 and 2020, the remaining service life was 3.66 and 3.76 years, respectively. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources. The deferred outflow of resources reported by an employer should include contributions made by the employer during its fiscal year that will be reflected in the net pension liability in the next measurement period.

The University's proportionate share of the collective pension expense for the years ended June 30, 2021 and 2020 is equal to the collective pension expense multiplied by the employer's allocation percentage, or \$4.9 million and \$4.7 million, respectively. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows; if they will increase pension expense, they are labeled deferred outflows. The University's total pension expense at June 30, 2021 and 2020 was \$4.7 million and \$4.9 million, respectively.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Disclosures under GASB Statement No. 68 - Continued

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

2021

202033

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan – Continued

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

Contributions subsequent to the measurement date of \$3.0 million reported as deferred outflows of resources was recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>Deferred outflows of resources year ended June 30</u>				
<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
<u>\$ 2,415</u>	<u>\$628,724</u>	<u>\$653,124</u>	<u>\$676,448</u>	<u>\$ 1,960,711</u>

Actuarial Methods and Assumptions

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, 2019 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2018.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan – Continued

Actuarial Methods and Assumptions - Continued

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	2.75%	2.75%
Salary increases	3.00%	3.00%
Investment rate of return	7.75%	7.75%

Mortality

Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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.

DELTA STATE UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan – Continued

Long-Term Expected Rate of Return - Continued

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 and 2020 are summarized in the following table:

	Year ended June 30, 2021		Year ended June 30, 2020	
Asset class	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Domestic equity	27.00%	4.90%	27.00%	4.90%
International equity	22.00%	4.75%	22.00%	4.75%
Global equity	12.00%	5.00%	12.00%	5.00%
Debt securities	20.00%	0.50%	20.00%	1.50%
Real estate	10.00%	4.00%	10.00%	4.00%
Private equity	8.00%	6.25%	8.00%	6.25%
Cash equivalents	<u>1.00%</u>	0.00%	<u>1.00%</u>	0.25%
	<u>100%</u>		<u>100%</u>	

Discount Rate

For the years ended June 30, 2021 and 2020, 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 (17.40%) for the years ended June 30, 2021 and 2020. 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.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(a) PERS Defined Benefit Plan – Continued

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability of the cost-sharing plan for 2021 and 2020, 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:

		Discount Rate Sensitivity		
			Current	
		1% Decrease	Discount Rate	1% Increase
		(6.75%)	(7.75%)	(8.75%)
University's proportionate share				
of net pension liability:				
2021	\$66,150,806	52,419,658	\$38,688,510	
2020	\$63,539,879	49,663,540	\$35,787,302	

(b) PERS Defined Contribution Plan, the Optional Retirement Plan

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning teaching and administrative faculty in Mississippi. This alternative plan is structured to be portable and transferable to accommodate teaching and administrative faculty who move from one state to another throughout their careers. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees, and in the event of death, the ORP provides funds for their beneficiaries through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the University are identical to that of the PERS defined benefit plan. An employee is automatically a member of PERS unless the employee elects ORP within 30 days of initial employment in an ORP-eligible position. Once made, the decision is irrevocable.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 15 – Employee Benefits – Pension Plans - Continued

Disclosures under GASB Statement No. 68 - Continued

(b) PERS Defined Contribution Plan, the Optional Retirement Plan - Continued

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The University's contributions to the ORP for the years ended June 30, 2021 and 2020 were \$1,109,586 and \$1,118,266, respectively, which equaled its required contribution for the period.

Note 16 - 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 FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 16 - 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 claims cost and premiums received for retirees.

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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 16 - Postemployment Health Care and Life Insurance Benefits - Continued

Contributions - 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, 2020 and 2019, the Plan provided health coverage to 320 and 321 employer units, respectively.

Disclosures under GASB Statement No. 75

The disclosures that follow for fiscal years 2021 and 2020 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2020). For fiscal year 2021, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2020. For fiscal year 2020, the measurement date for the State and School Employees' Life and Health Insurance Plan was June 30, 2019. The University is presenting net OPEB liability as of June 30, 2020 and 2019 for the fiscal years 2021 and 2020 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, 2021 and 2020, the University reported a liability of \$3.2 million and \$3.6 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2021, the NOL was measured as of June 30, 2020, 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, 2021 and 2020, the University's proportion was 0.41% and 0.42%, respectively.

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$63,730 and \$197,203, respectively.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 16 - Postemployment Health Care and Life Insurance Benefits - Continued
OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

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

2021									
Deferred Outflows					Deferred Inflows				

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 16 - Postemployment Health Care and Life Insurance Benefits - Continued

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

	2020					
	Deferred Outflows			Deferred Inflows		
	Net difference between projected and actual earnings on OPEB Plan investments	Changes of assumptions	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	
Differences between expected and actual experience	\$ 5,378	\$ 67	\$ 265,160	\$ 126,875	\$ 501,685	
			\$ 104,205	\$ 184,431	\$ 50,910	\$ 23,386
						\$ 258,727

\$126,875 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, 2021.

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, 2020 and 2019 measurement periods was 6.0 years and 6.4 years, respectively. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

DELTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 17 - Federal Direct Lending and FFEL Programs

The University distributed \$17,926,760 and \$16,987,562 for the years ended June 30, 2021 and 2020, 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.

Note 18 - 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.

Note 19 – Risk Management

Several types of risk are inherent in the operation of an institution of higher learning. There are several methods in which the institution can mitigate the risks. One of these methods is the pooling of resources among the institutions. The eight public Mississippi universities have pooled their resources to establish professional and general liability trust funds. Funds have been established for Workers' Compensation, Unemployment, and Tort Liability.

The Workers' Compensation program provides a mechanism for the University to fund and budget for the costs of providing worker compensation benefits to eligible employees. The program does not pay benefits directly to employees.

DELTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Note 19 – Risk Management - Continued

Funds are set aside in trust, and a third-party administrator is utilized to distribute the benefits to eligible employees. Payments by the university to the Workers' Compensation Fund for the fiscal years ended June 30, 2021 and 2020 were \$420,758 and 332,442, respectively.

The Unemployment Trust Fund operates in the same manner as the Workers' Compensation Fund. The fund does not pay benefits directly to former employees. The Fund reimburses the Mississippi Department of Employment Security (MDES) for benefits the MDES pays directly to former employees. Payments by the university of the Unemployment Trust Fund for the fiscal years ended June 30, 2021 and 2020 were \$3,742 and \$3,742, respectively.

The Tort Liability Fund was established in accordance with Section 11-46 of Mississippi State Law. The Mississippi Tort Claims Board authorized the IHL to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act. Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public institutions. A maximum liability limit of \$500,000 per occurrence is currently permissible. During the year ended June 30, 2003, the IHL Board authorized the Tort Fund and subsequently acquired an educator's legal liability policy with a deductible of \$1,000,000. The IHL Board designated \$1,000,000 of IHL Tort Fund net assets towards any future payment of this deductible.

The Tort claims pool also purchases a fleet automobile policy. University payments to the Tort Liability Fund for the fiscal years ended June 30, 2020 and 2019 were \$401,321 and \$284,478. The university's payments for the fleet automobile policy and a blanket public official bond for the fiscal years 2020 and 2019 were as follows:

	2021	2020
Fleet Automobile Policy	\$ 25,762	25,674
Blanket Public Official Bond	3,150	3,150

DELTA STATE UNIVERSITY

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	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
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%	\$47,229,076	\$ 16,914,533	279.22%	57.47%
2018	0.27%	\$44,338,880	\$ 17,110,610	259.13%	61.49%
2019	0.27%	\$44,872,460	\$ 17,228,044	260.46%	62.54%
2020	0.27%	\$48,336,405	\$ 17,894,673	270.12%	61.59%
2021	0.26%	\$51,106,285	\$ 17,578,764	290.73%	58.97%

See accompanying independent auditors' report.

DELTA STATE UNIVERSITY

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PROPORTIONATE SHARE OF CONTRIBUTIONS
GASB 67 PARAGRAPH 32(c)
FOR THE YEAR ENDED JUNE 30, 2021**

	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	Actual Covered- employee payroll	Contribution as a percentage of covered- employee payroll
2015	\$ 2,664,943	\$ 2,664,943	\$ -	\$ 16,920,273	15.75%
2016	\$ 2,629,908	\$ 2,629,908	\$ -	\$ 16,697,829	15.75%
2017	\$ 2,650,434	\$ 2,650,434	\$ -	\$ 16,828,152	15.75%
2018	\$ 2,379,412	\$ 2,379,412	\$ -	\$ 15,107,378	15.75%
2019	\$ 2,725,784	\$ 2,725,784	\$ -	\$ 17,306,565	15.75%
2020	\$ 2,970,686	\$ 2,970,686	\$ -	\$ 17,072,908	17.40%
2021	\$ 3,051,947	\$ 3,051,947	\$ -	\$ 17,539,925	17.40%

See accompanying independent auditors' report.

DELTA STATE UNIVERSITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. Net pension liability

(a) Schedule of Proportionate Share of the Net Pension Liability

This schedule presents historical trend information about the IHL System'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. Trend information will be accumulated to display a ten-year presentation.

(b) Schedule of Proportionate Share of Contributions to the PERS defined benefit plan

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.

(c) Changes of Assumptions and in Benefit Provisions (pension plan)

Changes of assumptions:

2020

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119;
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages;
 - For females, 115% of female rates at all ages; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%;
- The wage inflation assumption was reduced from 3.25% to 3.00%;
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

DELTA STATE UNIVERSITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. Net pension liability - Continued

(c) Changes of Assumptions and in Benefit Provisions (pension plan) - Continued

2018

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022;
- The wage inflation assumption was reduced from 3.75% to 3.25%;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2017

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2016

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2016;
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2016;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience;
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience; and
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Change in benefit provisions:

2017

- 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 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2. Net OPEB liability

(a) Schedule of Proportionate Share of the Net OPEB Liability

This schedule presents historical trend information about the IHL System's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a ten-year presentation.

(b) Schedule of Proportionate Share of Employer Contributions to the State and School Employees' Life and Health Insurance Plan

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.

(c) Changes of Assumptions and to Benefit Terms (OPEB plan)

Changes of assumptions:

2021

- The SEIR was changed from 3.50% for the prior measurement date to 2.19% to the current measurement date.

2020

- The SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

2019

- The SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date.

Changes to benefit terms:

2021

- The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for Select coverage, and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.