The background of the cover is a photograph of a grassy field with several large, mature trees. The trees have thick trunks and dense green foliage. In the foreground, a fallen log lies on the grass, its branches reaching out. The sky is blue with some white clouds. A yellow rectangular box is overlaid on the top half of the image, containing the text.

THE UNIVERSITY *of* SOUTHERN MISSISSIPPI

ANNUAL FINANCIAL REPORT - UNAUDITED
YEAR ENDED JUNE 30, 2020

THE UNIVERSITY *of* SOUTHERN MISSISSIPPI

2020 ANNUAL FINANCIAL REPORT • UNAUDITED



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MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) section introduces the financial statements and provides an analytical overview of its financial activities for the fiscal year ended June 30, 2020. Fiscal year 2019 data is presented for comparative purposes. Responsibility for the accuracy of the information and the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. The Management's Discussion and Analysis section is designed to focus on current activities, resulting changes and currently known facts, and should be read in conjunction with the accompanying financial statements and notes thereto.

THE INSTITUTION

The University of Southern Mississippi (USM) is a comprehensive public research institution delivering transformative programs on campuses in Hattiesburg and Long Beach, at teaching and research sites across the Mississippi Gulf Coast, as well as online. Founded in 1910, USM is one of only 131 universities in the nation to earn the Carnegie Classification of Institutions of Higher Education's "R1: Doctoral Universities – Very high research activity" designation, and its robust research enterprise includes experts in ocean science and engineering, polymer science and engineering, and large event venue safety and security, among others. USM is also one of only 37 institutions in the nation accredited in theatre, art and design, dance and music. As an economic driver, USM generates an annual economic impact of more than \$600 million across the state. USM welcomes a diverse student body of more than 14,000, representing 71 countries, all 50 states, and every county in Mississippi. USM students have collected four Truman

Scholarships and 36 National Science Foundation Graduate Research Fellowships, while also leading Mississippi with 24 Goldwater Scholarships, an honor that recognizes the next generation of great research scientists. Home to the Golden Eagles, USM competes in 17 Division I sports sponsored by the National Collegiate Athletic Association (NCAA).

OVERVIEW OF FINANCIAL STATEMENTS

The University's financial statements present the financial condition, the results of operations and cash flows of the University, through three primary financial statements and notes to the financial statements. The three financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The financial statements of The University of Southern Mississippi Foundation, a component unit of the University, are presented discretely from the University; however, Management's Discussion and Analysis focus only on the University.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the University at the end of the fiscal year. This statement reflects the various assets, deferred outflows, liabilities, deferred inflows and net position of the University as of the fiscal year ended June 30, 2020 and 2019.

From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They may also determine how much the University owes employees, vendors and bondholders. Finally, the Statement of Net Position outlines the net position (assets and deferred outflows minus liabilities and deferred inflows) available to the University.

Net position is divided into three categories. The first category, invested in capital assets, net of related debt, provides the University's equity in property, plant and equipment owned by the University. The second category is restricted net position,

which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. Donors have primarily restricted income derived from these investments to fund scholarships. Expendable restricted net position is 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 purpose restrictions on the use of the assets. The last category, unrestricted net position, discloses the net position available to the University for any lawful purpose of the University.

As of June 30, 2020, the University's assets and deferred outflows of resources reached \$812 million. Liabilities and deferred inflows of resources were \$481 million leaving a net position of \$330 million, an overall increase in net position of \$16 million compared to fiscal year 2019.

CONDENSED STATEMENT OF NET POSITION

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets:				
Cash and cash equivalents	\$ 84,603,984	\$ 40,835,548	\$ 43,768,436	107.2%
Short term investments	12,909,621	10,114,009	2,795,612	27.6%
Accounts receivable, net	28,319,514	30,220,857	(1,901,343)	-6.3%
Other current assets	6,822,066	9,144,250	(2,322,184)	-25.4%
Noncurrent Assets:				
Restricted cash and cash equivalents	8,294,456	7,537,297	757,159	10.0%
Endowment and other long term investments	35,536,828	58,972,332	(23,435,504)	-39.7%
Capital assets, net	589,067,327	584,802,006	4,265,321	0.7%
Other noncurrent assets	19,240,652	20,375,805	(1,135,153)	-5.6%
Total Assets	<u>\$ 784,794,448</u>	<u>\$ 762,002,104</u>	<u>\$ 22,792,344</u>	3.0%
Deferred Outflows of Resources	\$ 26,895,163	\$ 30,689,014	\$ (3,793,851)	-12.4%
Total Assets and Deferred Outflows of Resources	<u>\$ 811,689,611</u>	<u>\$ 792,691,118</u>	<u>\$ 18,998,493</u>	2.4%
Current Liabilities	\$ 43,013,081	\$ 36,096,369	\$ 6,916,712	19.2%
Noncurrent Liabilities	434,295,231	435,762,989	(1,467,758)	-0.3%
Total Liabilities	<u>\$ 477,308,312</u>	<u>\$ 471,859,358</u>	<u>\$ 5,448,954</u>	1.2%
Deferred Inflows of Resources	\$ 3,899,002	\$ 6,532,670	\$ (2,633,668)	-40.3%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 481,207,314</u>	<u>\$ 478,392,028</u>	<u>\$ 2,815,286</u>	0.6%
Net Position:				
Net invested in capital assets	\$ 415,997,228	\$ 405,651,907	\$ 10,345,321	2.6%
Restricted	45,049,841	45,738,173	(688,332)	-1.5%
Unrestricted	<u>(130,564,771)</u>	<u>(137,090,988)</u>	<u>6,526,217</u>	-4.8%
Total Net Position	<u>\$ 330,482,298</u>	<u>\$ 314,299,092</u>	<u>\$ 16,183,206</u>	5.1%



THE UNIVERSITY'S ASSETS

A review of total assets reveals an increase of \$23 million for fiscal year 2020 over the prior fiscal year. The University's cash and cash equivalents include both current and noncurrent balances of \$84.6 million and \$8.2 million, respectively, at the end of fiscal year 2020. Noncurrent restricted cash and cash equivalents include funds held in escrow accounts to be used for specific capital purposes. The University considers all highly liquid investments with an original maturity of three months or less to be cash or cash equivalents.

Short-term investments increased \$3 million due to investment of additional funds into investments. Accounts receivable decreased by \$2 million due to tuition payment policies. Student notes receivable decreased \$2 million due to the cancellation of the Perkins Loan Program.

Capital assets include land, land improvements, buildings and improvements, equipment, construction in progress and library materials. Net capital assets totaled \$589 million at June 30, 2020, compared to \$585 million at June 30, 2019. The Hattiesburg campus has completed major renovations to Joseph Greene Hall, which is now the new home of the School of Social Work; School of Child and Family Sciences; and School of Kinesiology and Nutrition. Construction of a state-of-the-art Volleyball and Wellness Complex is near completion. New turf and drainage systems were installed at the baseball complex. Envelope repairs and improvements have begun on McCain Library and

major renovations have begun at Cook Library. Part of the Cook Library project includes the new Bower Academic Center. Renovation to the exterior plaza area of the Student Union got underway, and demolition of the former married student housing complex, known as Pinehaven, is near completion. On the Gulf Coast, planning and design have been completed for an Invertebrate Growout facility, on which construction will begin in the near future. Infrastructure improvements to walkways and lighting have also begun.

THE UNIVERSITY'S DEFERRED OUTFLOWS

The University's deferred outflows are comprised of debt amortization, the pension changes, and the Other Post-Employment Benefits (OPEB) liability related to the State and School Employees' Life and Health Insurance Plan. The pension changes and the OPEB liability are associated with compliance of GASB 68 and 75, respectively. Overall, deferred outflows decreased from \$31 million in fiscal year 2019 to \$27 million in fiscal year 2020. The accumulated deferred amount related to debt refunding decreased by \$0.7 million, the deferred outflows related to the pension plan liability decreased by \$4 million, and the retroactive OPEB liability was \$1 million for 2019 and \$2 million for 2020. This represents portions of the effects of (1) the change in the University's proportion of the collective net pension liability and (2) differences during the measurement period between the University's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability that are not recognized in the University's pension expense.

Also, the University's contributions to the pension plan subsequent to the measurement date of the collective net pension liability are reported as deferred outflows of resources related to pensions. Lastly, it represents the University'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.

THE UNIVERSITY'S LIABILITIES

Current liabilities consist primarily of accounts payable, accrued liabilities, unearned revenues related to operations, and the portion of long-term debt that is due to be paid in the subsequent fiscal year. The majority of accounts payable and accrued liabilities represent amounts owed for salaries, wages and benefits, supplies and services. Unearned revenues consist primarily of tuition revenues for the second term of the summer semester, football ticket revenue for the fall season, and external funds received on a fixed payment schedule with the expectation of a deliverable and any unexpended funds to be returned at the end of the project. The decrease in noncurrent liabilities of \$1.5 million is primarily due to a decrease in the University's long-term liabilities related to debt.

THE UNIVERSITY'S DEFERRED INFLOWS

Deferred Inflows decreased \$2.6 million from fiscal year 2019 to fiscal year 2020. This line item represents the University's proportionate share of the difference between projected and actual earnings on the pension plan and OPEB, State and School Employees' Life and Health Insurance Plan. See Note 14 and 15 for further information related to the University's Pension Plan and OPEB Plan.

THE UNIVERSITY'S NET POSITION

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. Net position increased from \$314 million in fiscal year 2019 to \$330 million in fiscal year 2020.

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 displayed 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 expended by the University. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

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 or 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 educational appropriations are nonoperating because they are provided to the University without the state legislature directly receiving commensurate goods and services in return for those revenues. Nonoperating revenues also include private gifts for other than capital purposes, federal financial aid, investment income, net unrealized appreciation, or depreciation on the fair value of investments and interest expense.



CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and fees, net	\$ 93,576,401	\$ 92,860,936	\$ 715,465	0.8%
Grants and contracts	75,157,943	80,993,291	(5,835,348)	-7.2%
Auxiliary enterprises	33,671,681	37,319,427	(3,647,746)	-9.8%
Other operating revenues	6,565,068	9,713,572	(3,148,504)	-32.4%
Total Operating Revenues	\$ 208,971,093	\$ 220,887,226	\$ (11,916,133)	-5.4%
Operating Expenses	341,646,754	335,645,290	6,001,464	1.8%
Operating Loss	\$ (132,675,659)	\$ (114,758,064)	\$ (17,917,595)	15.6%
Nonoperating Revenues (Expenses):				
State appropriations	\$ 85,834,240	\$ 82,886,086	\$ 2,948,154	3.6%
Other nonoperating revenue	48,544,550	40,926,765	7,617,785	18.6%
Interest on debt	(6,271,584)	(6,245,085)	(26,499)	0.4%
Net Nonoperating Revenues	\$ 128,107,206	\$ 117,567,766	\$ 10,539,440	9.0%
Loss Before Other Revenues	\$ (4,568,454)	\$ 2,809,702	\$ (7,378,156)	-262.6%
Capital grants and gifts	\$ 7,785,609	\$ 4,356,003	\$ 3,429,606	78.7%
Capital appropriations	11,643,160	7,979,277	3,663,883	45.9%
Other additions (deletions)	(51,977)	372,524	424,501	114.0%
Total Other Revenues	\$ 19,376,792	\$ 12,707,804	\$ 6,668,988	52.5%
Increase in Net Position	\$ 14,808,338	\$ 15,517,506	\$ (709,168)	-4.6%
Net Position:				
Net Position at Beginning of the Year	\$ 314,299,092	\$ 300,315,159	\$ 13,983,933	4.7%
Reclass Adjustment	-	(144,326)	144,326	-100.0%
Restate Beginning Net Position	199,868	-	199,868	-100.0%
Prior period adjustments	1,175,000	(1,389,247)	2,564,247	-100.0%
Net Assets at Beginning of Year, restated	\$ 315,673,960	\$ 298,781,586	\$ 16,892,374	5.7%
Net Position at End of the Year	\$ 330,482,298	\$ 314,299,092	\$ 16,183,206	5.1%

The Statement of Revenues, Expenses and Changes in Net Position presents an increase in net position of \$16 million for fiscal year June 30, 2020. As noted in the statement, the University experienced operating losses of \$133 million and \$115 million in fiscal years 2020 and 2019, respectively. These operating losses highlight the University's dependence on nonoperating revenues, such as state appropriations, federal financial aid and private gifts, to meet its cost of operations.

OPERATING REVENUES

Total operating revenues for fiscal years ended June 30, 2020, and 2019 were \$209 million and \$221 million, respectively. Operating revenues include student tuition

and fees that are net of scholarship allowances, grants and contracts, sales and services of educational departments, auxiliary enterprises and other operating revenues.

Student enrollment and retention efforts produced a 0.8% increase in net tuition and fees revenue. This increase is largely due to an increase in online tuition revenue.

Grants and contracts operating revenues include restricted revenues made available by government agencies, as well as private agencies. Grants and contracts operating revenues continue to account for a significant portion of total operating revenues for the University. These revenues are recorded only

to the extent the funds have been expended for exchange transactions. Nonexchange grant revenues are recorded when received or when eligibility criteria have been met and are reported as nonoperating revenue.

In fiscal year 2020, the University experienced a \$5.8 million decrease in grants and contracts revenues compared to fiscal year 2019. The majority of the decrease is due to a decrease in private gifts.

The following table details the University's grants and contracts operating revenues for the fiscal years ended June 30, 2020 and 2019:

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Federal Award Sources:				
Department of Education	\$ 6,247,143	\$ 2,666,688	\$ 3,580,455	134.3%
National Science Foundation	4,238,475	4,304,236	(65,761)	-1.5%
Department of Defense	11,733,720	15,956,055	(4,222,335)	-26.5%
NASA	1,419,266	1,348,315	70,951	5.3%
Department of Commerce	17,143,209	15,810,463	1,332,746	8.4%
Department of Health and Human Services	10,263,885	10,659,710	(395,825)	-3.7%
Department of Agriculture	1,163,744	1,411,308	(247,563)	-17.5%
Department of Justice	233,621	191,058	42,563	22.3%
Department of Homeland Security	1,634,125	1,808,059	(173,934)	-9.6%
Department of Energy	809,989	1,237,239	(427,251)	-34.5%
Other	2,897,550	3,294,088	(396,539)	-12.0%
Total Federal Sources	<u>57,784,727</u>	<u>58,687,220</u>	<u>(902,493)</u>	-1.5%
State Award Sources:				
Financial Aid	7,790,159	7,065,920	724,239	10.2%
Department of Education	195,368	137,709	57,659	41.9%
Other	2,666,743	2,362,498	304,245	12.9%
Total State Sources	<u>10,652,270</u>	<u>9,566,128</u>	<u>1,086,143</u>	11.4%
Other Sources	<u>10,390,694</u>	<u>12,388,129</u>	<u>(1,997,435)</u>	-16.1%
Total Grants and Contracts	<u>\$ 78,827,691</u>	<u>\$ 80,641,476</u>	<u>\$ (1,813,785)</u>	-2.2%

NONOPERATING REVENUES AND EXPENSES

The University's net nonoperating revenues of \$135 million assisted in offsetting the University's operating loss of \$133 million for 2020. Nonoperating revenue of \$10.6 million was received from Higher Education Emergency Relief Funds (HEERFs). \$6.7 million of these funds were paid directly to our students to aid with COVID-19 related expenses. During the spring semester, an additional \$3.9 million was returned to our students for residential housing costs and parking fees.

As such, \$3.9 million of institutional aid was drawn to subsidize the housing and parking deficits caused by the unforeseen student refunds.

OPERATING EXPENSES

Operating expenses for the year ended June 30, 2020, totaling \$342 million, included \$208 million in compensation and benefits, \$86 million in supplies and other, \$28 million in scholarships, and \$19 million in depreciation.

A comparative summary of the University's expenses for the years ended June 30, 2020, and 2019 is as follows:

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Percent Change
Operating Expenses:				
Compensation and benefits	\$ 207,758,994	\$ 200,001,236	\$ 7,757,758	3.9%
Supplies and other	86,223,328	95,364,144	(9,140,816)	-9.6%
Scholarships and fellowships	28,464,154	21,675,156	6,788,998	31.3%
Depreciation	19,200,278	18,604,754	595,524	3.2%
Total Operating Expenses	\$ 341,646,754	\$ 335,645,290	\$ 6,001,464	1.8%

For the year ended June 30, 2020, total operating expenses increased \$6 million. Compliance with GASB 68 pension reporting requirements resulted in an \$8.4 million adjustment to benefits. This adjustment was coupled with a \$6 million decrease in contractual services provided and a \$7 million increase in scholarship, in part due to Covid-19.

In addition to their natural classification, operating expenses are also reported by their functional classification as defined by the National Association of College and University

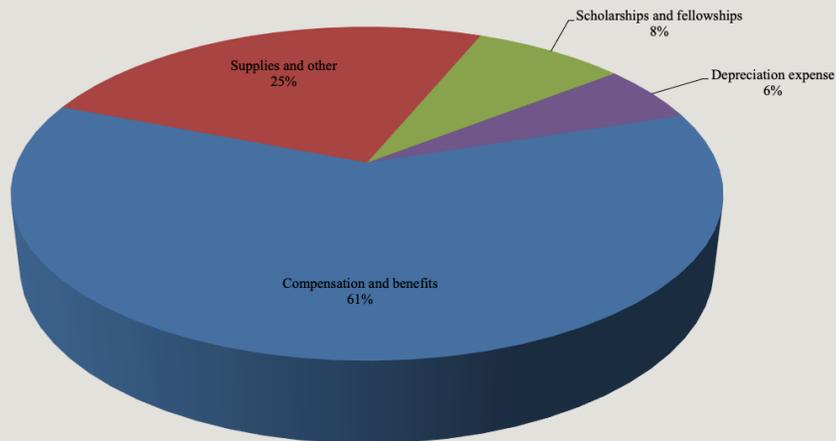
Business Officers (NACUBO). The functional classification of an operating expense is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects amounts expended in areas such as instruction, research, and operations and maintenance and is used most commonly for comparative reporting purposes among colleges and universities.

A comparative summary and a graphic illustration of the University's expenses by functional classification for the years ended June 30, 2020, and 2019 are as follows:

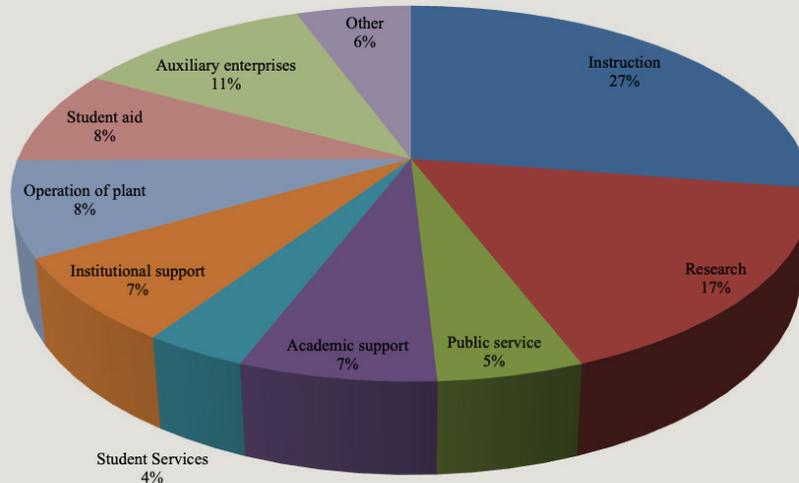
	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)
Operating Expenses:			
Instruction	\$ 93,996,187	\$ 91,023,329	\$ 2,972,858
Research	56,631,362	60,220,179	(3,588,817)
Public service	16,505,648	19,581,708	(3,076,060)
Academic support	22,615,581	22,783,128	(167,547)
Student services	12,188,990	11,744,483	444,507
Institutional support	24,595,797	22,377,950	2,217,847
Operation of plant	28,291,844	28,282,180	9,663
Student aid	28,464,154	21,675,156	6,788,997
Auxiliary enterprises	39,156,913	39,352,422	(195,509)
Depreciation	19,200,278	18,604,754	595,524
Total Operating Expenses	\$ 341,646,754	\$ 335,645,290	\$ 6,001,464

FY 2020 OPERATING EXPENSES

BY TYPE OF USE



BY FUNCTION



Instructional expenses continued to represent the largest percentage of total operating expenses and consumed 45% of operating revenues for fiscal year 2020. Research expenditures accounted for 17% of total operating expenses and consumed 27% of operating revenues in fiscal year 2020.

OTHER CHANGES IN NET POSITION

Capital grants and gifts revenue decreased \$4 million, largely due to a decrease in federal capital projects and private gifts. State appropriations restricted for capital purposes increased

\$3.6 million due to an increase in Bureau of Buildings project activity and IHL Capital Expense Fund revenue in fiscal year 2020 compared to 2019.

CAPITAL ASSET AND DEBT ADMINISTRATION

The University must have campus facilities that are competitive to meet student enrollment goals. The University continues to execute its long-term plan to modernize and expand its teaching, research and student facilities with a balance of new construction and technology.

The following are a few examples of how the University enhanced and improved the living-learning community of its campus located in the heart of the Hattiesburg community during fiscal year 2020:

- Completed extensive renovations to Joseph Greene Hall
- Began construction of a state-of-the-art Volleyball and Wellness Facility
- Installed new turf and draining systems at Pete Taylor Park Baseball Complex
- Began major envelope repairs to McCain Library
- Began major renovations to Cook Library, including the new Bower Academic Center located within
- Continued construction planning for a Montague Boulevard pedestrian walkway
- Continued construction planning as a participant in the Hardy Street pedestrian pathway in conjunction with the development of the Midtown District
- Redesign and improvement of all campus signage and wayfinding

The University remains committed to the growth and improvement of its coastal locations. The Gulf Park campus completed infrastructure improvements to walkways and lighting and continued plans on their new Student Resource Center. The Gulf Coast Research Laboratory continues to rebuild from the destruction caused by Hurricane Katrina in 2005. The teaching and research site completed design plans for a state-of-the-art Invertebrate Grow-out Facility and updated staff housing.

As of June 30, 2020, the University had \$162 million of debt outstanding, of which \$7 million was classified as current. Debt obligations bear interest at fixed rates ranging from 0.5% to 5.375% and mature at various dates through fiscal year 2044.

For additional information concerning capital assets and debt obligations, see Notes 6, 9 and 12.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the sources and uses of cash during the fiscal year. This statement classifies sources and uses of cash into the four categories defined by GASB, which are as follows:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The primary purpose of the statement is to provide relevant information about the cash receipts and cash payments of the University during a specific period of time. The Statement of Cash Flows helps users evaluate the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

CONDENSED STATEMENT OF CASH FLOW

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Percent Change
Cash and Cash Equivalents Provided (Used) by:				
Operating activities	\$ (87,119,505)	\$ (91,337,418)	\$ (4,217,913)	4.6%
Noncapital financing activities	135,299,120	119,756,317	15,542,803	13.0%
Capital and related financing activities	(27,996,375)	(14,673,353)	(13,323,022)	90.8%
Investing activities	24,342,355	(3,289,032)	27,631,387	840.1%
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 44,525,595	\$ 10,456,514	\$ 34,069,081	325.8%
Cash and Cash Equivalents - Beginning of the Year	48,372,845	37,916,331	10,456,514	27.6%
Cash and Cash Equivalents - End of the Year	<u>\$ 92,898,440</u>	<u>\$ 48,372,845</u>	<u>\$ 44,525,595</u>	92.0%

Major sources of funds included in operating activities for the year ended June 30, 2020, were net student tuition and fees of \$96 million, grants and contracts of \$78 million, and auxiliary enterprises of \$31 million. Major uses of funds included in operating activities were payments for employees' salaries and benefits of \$191 million, payments to suppliers of \$72 million, and scholarships and loans to students of \$27 million.

Net cash used by operating activities decreased by \$4.2 million in comparison to last year. Cash received from operating grants and contracts and other receipts was higher in FY19 in comparison to FY20. This was offset as cash paid to suppliers decreased by \$16 million. Other contributing factors to the decrease in cash used for operating activities was a decrease in payments for utilities.

Net cash provided by noncapital financing activities increased by \$15.5 million. The majority of the increase was due to an increase in gifts and grants for non-capital purposes.

Net cash used for capital and related financing activity increased by \$13.3 million. Capital appropriations received increased by \$14 million. There was a \$3 million decrease in capital grants and contracts received in 2020 as compared to 2019.

Net cash provided by investing activity increased by \$27.6 million in FY20 compared to FY19. Income provided by investments increased \$45 million. However, this was offset by \$17 million increase in investment purchases.

ECONOMIC OUTLOOK

University management continues to make strides in adapting to the challenges facing the current public higher education environment, which is demonstrated by the improvement in our financial position from FY 2019 to FY 2020. While the University is optimistic about the progress we have made, we must continue to be diligent in our efforts to increase retention rates and recruit new students as tuition and fee revenues are our largest source of operating revenue. While making strategic investment decisions is key, we must also remain focused in seeking out efficiency measures in order to sustain current and future financial stability.

The combined effect of these strategic initiatives is a stable outlook, but that outlook is tempered by an ongoing dependence on state appropriations. To better stabilize the University's financial position during this period of substantial change in the public higher education industry, management must remain vigilant in transitioning to a market-driven, tuition-dependent institution, and manage the University's operations accordingly.

Allyson Easterwood

Vice President for Finance and Administration





FINANCIAL STATEMENTS



STATEMENT OF NET POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

Assets and Deferred Outflows	Year Ended June 30	
	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 84,603,984	\$ 40,835,548
Short term investments (Note 2)	12,909,621	10,114,009
Accounts receivables, net (Note 4)	28,319,514	30,220,857
Student notes receivables, net (Note 5)	1,732,919	3,730,154
Inventories	244,315	269,510
Prepaid expenses	4,844,832	5,144,586
Total current assets	\$ 132,655,185	\$ 90,314,664
Non-Current Assets:		
Restricted cash and cash equivalents	\$ 8,294,456	\$ 7,537,297
Endowment investments (Note 2)	9,376,865	9,731,561
Other long term investments (Note 2)	26,159,963	49,240,771
Student notes receivable, net (Note 5)	19,240,652	20,375,805
Capital assets, net (Note 6)	589,067,327	584,802,006
Total noncurrent assets	\$ 652,139,263	\$ 671,687,440
Total assets	\$ 784,794,448	\$ 762,002,104
Deferred outflows of resources:		
Accumulated deferred amount of debt refundings	11,407,969	12,184,588
Pension related deferred outflows	13,434,770	17,447,393
OPEB related deferred outflows	2,052,424	1,057,033
Total deferred outflows of resources	\$ 26,895,163	\$ 30,689,014
Total assets and deferred outflows of resources	\$ 811,689,611	\$ 792,691,118
Liabilities, Deferred Inflows and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7)	\$ 24,611,347	\$ 17,780,292
Unearned revenues (Note 8)	10,145,196	10,445,876
Accrued leave liabilities-current portion (Note 9)	1,207,065	1,155,279
Long term liabilities-current portion (Note 9)	7,016,012	6,676,062
Other current liabilities	33,461	38,860
Total Current liabilities	\$ 43,013,081	\$ 36,096,369
Non-current liabilities:		
Net pension liability (Note 9)	\$ 231,330,127	\$ 224,453,669
Net OPEB liability	15,274,063	14,044,422
Deposits refundable (Note 9)	3,066	2,706
Accrued leave liabilities (Note 9)	8,851,807	8,296,030
Long term liabilities (Note 9)	155,131,998	162,928,009
Other non-current liabilities (Note 9)	23,704,170	26,038,153
Total non-current liabilities	\$ 434,295,232	\$ 435,762,989
Total liabilities	\$ 477,308,312	\$ 471,859,358
Deferred inflows of resources:		
Difference between projected and actual earnings on pension plan	\$ 2,779,872	\$ 5,531,977
OPEB related deferred inflows	1,119,130	1,000,693
Total liabilities and deferred inflows of resources	\$ 481,207,314	\$ 478,392,028
Net Position:		
Net Invested in Capital Assets	\$ 415,997,228	\$ 405,651,907
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	5,569,090	5,569,090
Expendable:		
Scholarships and fellowships	3,470,678	1,661,710
Debt service	25,162,671	23,719,578
Loans	5,557,912	5,983,311
Other purposes	5,289,491	8,804,484
Unrestricted	(130,564,771)	(137,090,988)
Total net position	\$ 330,482,298	\$ 314,299,092

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

ASSETS	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,663,185	\$ 2,675,234
Accrued Earnings	110,245	109,697
Prepaid Assets and Other Receivables	298,154	448,576
Pledges Receivable, Net	6,970,246	8,871,876
Investments	118,205,601	117,093,651
Cash Surrender Value of Life Insurance	2,711,628	2,651,456
Amounts Due from Externally Managed Trusts	9,969,592	7,944,900
Property and Equipment, Net	<u>233,501</u>	<u>286,111</u>
Total Assets	<u>\$ 141,162,152</u>	<u>\$ 140,081,501</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 589,498	\$ 675,423
Gift Annuities Payable	<u>103,222</u>	<u>236,281</u>
Total Liabilities	692,720	911,704
NET ASSETS		
Without Donor Restrictions	12,553,396	11,751,897
With Donor Restrictions	<u>127,916,036</u>	<u>127,417,900</u>
Total Net Assets	<u>140,469,432</u>	<u>139,169,797</u>
Total Liabilities and Net Assets	<u>\$ 141,162,152</u>	<u>\$ 140,081,501</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	Year Ended June 30	
	2020	2019
Operating revenues:		
Tuition and fees:	\$ 137,720,399	\$ 137,921,832
Less: Scholarship Allowances	(44,143,998)	(44,628,896)
Less: Bad Debt Expense	-	(432,000)
Net tuition and fees	\$ 93,576,401	\$ 92,860,936
Federal grants and contracts	53,874,087	58,183,443
State grants and contracts	10,453,123	9,566,128
Local grants and contracts	1,304,406	
Nongovernmental grants and contracts	9,526,327	13,243,720
Sales and services of educational departments	2,263,712	3,759,878
Auxiliary enterprises:		
Student housing	14,687,959	18,856,912
Food services	2,510,398	2,395,353
Bookstore	697,329	1,123,653
Athletics	13,842,230	12,302,520
Other auxiliary revenues	5,335,961	5,914,290
Less auxiliary enterprise scholarship allowances	(3,402,195)	(3,273,301)
Other operating revenues, net	4,301,355	5,953,694
Total operating revenues	\$ 208,971,093	\$ 220,887,226
Operating expenses:		
Salaries and wages	\$ 145,532,569	\$ 143,229,890
Fringe benefits	62,226,425	56,771,346
Travel	5,876,434	7,597,640
Contractual services	55,155,432	61,107,147
Utilities	9,923,267	10,406,339
Scholarships and fellowships	28,464,154	21,675,156
Commodities	15,268,195	16,253,018
Depreciation	19,200,278	18,604,754
Total operating expenses (Note 11)	\$ 341,646,754	\$ 335,645,290
Operating Loss	\$ (132,675,659)	\$ (114,758,064)
Nonoperating revenues (expenses):		
State appropriations	\$ 85,834,240	\$ 82,886,086
Gifts and grants	45,282,986	36,631,747
Investment income	3,261,564	4,295,018
Interest expense on capital asset-related debt	(6,271,584)	(6,245,085)
Total nonoperating revenues (expenses), net	\$ 128,107,206	\$ 117,567,766
Gain or Loss before other revenues, expenses, gains and losses	\$ (4,568,454)	\$ 2,809,702
Other revenues, expenses, gains and losses:		
Capital grants and gifts	\$ 7,785,609	\$ 4,356,003
State appropriations restricted for capital purposes	11,643,160	7,979,277
Other additions	543,506	1,504,225
Other deletions	(595,483)	(1,131,701)
Change in net position	\$ 14,808,338	\$ 15,517,506
Net position - beginning of year, as adjusted	314,299,092	300,315,160
Reclass Adjustment	-	(144,326)
Restate Beginning Net Position	199,868	-
Period Period Adjustment	1,175,000	(1,389,247)
Net position - beginning of year, as restated	315,673,960	298,781,587
Net position - end of year	\$ 330,482,298	\$ 314,299,092

CONSOLIDATED STATEMENT OF ACTIVITIES

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

YEARS ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,178,503	\$ 6,638,792	\$ 8,817,295
Net Investment Gain	2,283,296	(477,998)	1,805,298
Change in Value of Split Interest Agreements	-	2,115,817	2,115,817
Change in Value - Other	1,276	44,948	46,224
Other	24,141	28,959	53,100
Total Revenues, Gains, and Other Support	4,487,216	8,350,518	12,837,734
CHANGES IN RESTRICTIONS			
Change in Restriction by Donors	(5,000)	5,000	-
Net Assets Released from Restrictions	7,857,382	(7,857,382)	-
Total Changes in Restrictions	7,852,382	(7,852,382)	-
EXPENSES			
Program Services:			
Contributions and Support for The University of Southern Mississippi	8,350,046	-	8,350,046
Supporting Services:			
General and Administrative	1,701,761	-	1,701,761
Fundraising	1,486,292	-	1,486,292
Total Supporting Services	3,188,053	-	3,188,053
Total Expenses	11,538,099	-	11,538,099
CHANGE IN NET ASSETS	801,499	498,136	1,299,635
Net Assets - Beginning of Year	11,751,897	127,417,900	139,169,797
NET ASSETS - END OF YEAR	<u>\$ 12,553,396</u>	<u>\$ 127,916,036</u>	<u>\$ 140,469,432</u>

YEARS ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,244,528.00	\$ 5,334,784	\$ 7,579,312
Net Investment Gain	2,751,200	3,236,130	5,987,330
Change in Value of Split Interest Agreements	-	1,846,055	1,846,055
Change in Value - Other	1,876	65,167	67,043
Other	72,323	30,713	103,036
Total Revenues, Gains, and Other Support	5,069,927	10,512,849	15,582,776
CHANGES IN RESTRICTIONS			
Change in Restriction by Donors	(5,000)	5,000	-
Net Assets Released from Restrictions	7,323,151	(7,323,151)	-
Total Changes in Restrictions	7,318,151	(7,318,151)	-
EXPENSES			
Program Services:			
Contributions and Support for The University of Southern Mississippi	7,855,923	-	7,855,923
Supporting Services:			
General and Administrative	1,786,389	-	1,786,389
Fundraising	1,475,832	-	1,475,832
Total Supporting Services	3,262,221	-	3,262,221
Total Expenses	11,118,144	-	11,118,144
CHANGE IN NET ASSETS	1,269,934	3,194,698	4,464,632
Net Assets - Beginning of Year	10,481,963	124,223,202	134,705,165
NET ASSETS - END OF YEAR	<u>\$ 11,751,897</u>	<u>\$ 127,417,900</u>	<u>\$ 139,169,797</u>

STATEMENT OF CASH FLOWS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	<u>2020</u>	<u>2019</u>
Operating activities:		
Tuition and fees	\$ 96,450,797	\$ 92,988,113
Grants and contracts	77,877,971	78,230,133
Sales and services of educational departments	2,263,712	3,759,878
Payments to suppliers	(72,111,574)	(87,748,020)
Payments to employees for salaries and benefits	(191,144,430)	(189,312,554)
Payments for utilities	(9,988,652)	(10,427,418)
Payments for scholarships and fellowships	(28,117,736)	(21,628,913)
Loans Issued to students	704,182	(881,557)
Collection of loans from students	3,567,561	3,963,825
Auxiliary enterprise charges:		
Student housing	13,238,495	17,174,603
Food services	2,180,928	1,827,332
Bookstore	598,592	979,361
Athletics	9,904,856	8,569,737
Other auxiliary enterprises	5,143,069	6,143,086
Patient care services	-	-
Interest earned on loans to students	-	-
Other receipts	2,312,724	5,024,976
Other payments	-	-
Net cash used by operating activities	<u>\$ (87,119,505)</u>	<u>\$ (91,337,418)</u>
Noncapital financing activities:		
State appropriations	\$ 83,104,486	\$ 82,678,776
Gifts and grants for other than capital purposes	52,322,728	37,019,397
Private gifts for endowment purposes	-	-
Federal loan program receipts	78,082,821	84,342,828
Federal loan program disbursements	(78,152,028)	(84,297,621)
Other sources	-	12,937
Other uses	(58,887)	-
Net cash provided by noncapital financing activities	<u>\$ 135,299,120</u>	<u>\$ 119,756,317</u>
Capital and related financing activities:		
Proceeds from capital debt	-	-
Cash paid for capital assets	\$ (14,200,390)	\$ (7,574,258)
Capital appropriations received	-	-
Capital grants and contracts received	781,868	3,631,296
Proceeds from sales of capital assets	33,461	38,160
Principal paid on capital debt and leases	(7,456,061)	(5,509,502)
Interest paid on capital debt and leases	(6,338,530)	(6,256,160)
Other sources	271,647	997,111
Other uses	(1,088,370)	-
Net cash used by capital and related financing activities	<u>\$ (27,996,375)</u>	<u>\$ (14,673,353)</u>
Investing activities:		
Proceeds from sales and maturities of investments	\$ 62,725,426	\$ 17,672,041
Interest received on investments	2,565,793	2,023,007
Purchases of investments	(40,948,864)	(22,984,080)
Net cash used by investing activities	<u>\$ 24,342,355</u>	<u>\$ (3,289,032)</u>
Net change in cash and cash equivalents	<u>\$ 44,525,595</u>	<u>\$ 10,456,514</u>
Cash and cash equivalents - beginning of year	<u>\$ 48,372,845</u>	<u>\$ 37,916,331</u>
Cash and cash equivalents - end of year	<u>\$ 92,898,440</u>	<u>\$ 48,372,845</u>

STATEMENT OF CASH FLOWS

(CONTINUED)

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating Loss	\$ (132,675,661)	\$ (114,758,065)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation expense	\$ 19,200,278	\$ 18,604,754
Self-insured claims expense	-	-
Provision for uncollectible receivables	-	432,000
Other	(595,524)	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	1,901,343	(2,792,153)
Inventories	25,196	16,967
Prepaid Expenses	299,755	446,187
Loans to Students	-	12,937
Deferred outflow of resources	3,793,851	5,246,912
Other Assets	-	958,699
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	6,831,055	(2,531,964)
Unearned Revenue	(299,754)	(1,815,035)
Deposits Refundable	360	(6,920)
Accrued Leave Liability	607,563	1,479,993
Net pension liability	6,876,458	2,393,461
Net OPEB liability	1,229,641	6,717
Deferred inflow of resources	(2,633,668)	968,092
Other Liabilities	8,319,602	-
Total Adjustments	<u>\$ 45,556,156</u>	<u>\$ 23,420,647</u>
Net cash used in operating activities	<u>\$ (87,119,505)</u>	<u>\$ (91,337,418)</u>
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	\$ 84,603,984	\$ 40,835,548
Noncurrent assets - restricted cash and cash equivalents	<u>8,294,456</u>	<u>7,537,297</u>
Cash and cash equivalents, end of year	<u>\$ 92,898,440</u>	<u>\$ 48,372,845</u>
ENTER NON-CASH TRANSACTIONS BELOW: (See GASB #9, Paragraph 37)		
Capital Appropriations from the State of Mississippi	\$ 11,643,160	\$ 7,979,277
Capital Assets Acquired through donation and capital lease obligations	\$ -	\$ 225,856

STATEMENT OF CASH FLOWS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,299,635	\$ 4,464,632
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	52,610	67,658
Realized and Unrealized Loss (Gains) on Investments, Net	374,663	(3,939,942)
Gain on Disposal of Furniture and Equipment	-	(11,721)
Receipt of Restricted Contributions to be Held in Perpetuity	(2,208,353)	(3,169,843)
Restricted Dividends and Interest to be Held in Perpetuity	(267,260)	(8,300)
Change in Cash Surrender Value of Life Insurance	(60,172)	(67,043)
Change in Amounts Due from Externally Managed Trusts	(2,024,692)	(1,835,410)
Change in Gift Annuities	(103,313)	(10,104)
Change in Life Estate Payable	-	(31,107)
Present Value Adjustments in Annuities	21,794	40,431
Changes in Operating Assets and Liabilities:		
Accrued Earnings	(548)	43,911
Prepaid Assets and Other Receivables	150,422	935,348
Pledges Receivable, Net	1,901,630	1,799,272
Accounts Payable and Accrued Expenses	(85,925)	217,484
Net Cash Used by Operating Activities	<u>(949,509)</u>	<u>(1,504,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	(40,800)
Purchases of Investments	(12,226,326)	(26,735,020)
Proceeds from Sales and Maturities of Investments	<u>10,730,657</u>	<u>24,829,709</u>
Net Cash Used by Investing Activities	<u>(1,495,669)</u>	<u>(1,946,111)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of Restricted Contributions to be Held in Perpetuity	2,208,353	3,169,843
Restricted Dividends and Interest to be Held in Perpetuity	267,260	8,300
Annuity Payments	<u>(42,484)</u>	<u>(48,334)</u>
Net Cash Provided by Financing Activities	<u>2,433,129</u>	<u>3,129,809</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,049)	(321,036)
Cash and Cash Equivalents - Beginning of Year	<u>2,675,234</u>	<u>2,996,270</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,663,185</u>	<u>\$ 2,675,234</u>





NOTES TO FINANCIAL STATEMENTS



NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The University of Southern Mississippi is a public, comprehensive, research-extensive University. Our primary mission is to cultivate intellectual development and creativity through the generation, dissemination, application and preservation of knowledge.

Reporting Entity

The Mississippi Constitution was amended in 1943 to create a Board of Trustees of State Institutions of Higher Learning (IHL). This constitutional Board provides management and control of Mississippi's system of public higher education. The Board members are to be appointed by the Governor with the approval of the Senate. The IHL is considered a component unit of the State of Mississippi reporting entity.

The current 12 Board members of the IHL System were appointed by the Governor and approved by the Senate for 12-year terms as follows: one from each of the seven Congressional districts, one from each of the three Supreme Court districts, and two appointed from the state-at-large. The Mississippi Constitution was amended in 2003 to change the length of terms and appointment districts for Board members. New appointments will occur from the three current Supreme Court districts for terms of nine years. The amendment provides for these new appointments and tenures to be gradually implemented. Full implementation occurred in 2012.

The University of Southern Mississippi has established its own educational building corporation (SMEBC, 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 for the acquisition of land and the construction, improvements and equipping of facilities for the University. In accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 61, this educational building corporation is deemed a component unit of the University and is included as a blended component unit in the general purpose financial statements.

The University of Southern Mississippi has established its own Real Estate Foundation to engage in the design-build delivery system of auxiliary facilities as authorized by Section 37-101-44, Mississippi Code Annotated. The purpose of this Foundation is to construct, improve and equip auxiliary facilities for the University. In accordance with Governmental Accounting Standards Board (GASB)

Statements No. 14 and No. 61, this Foundation is deemed a component unit of the University and is included as a blended component unit in the general purpose financial statements.

The University of Southern Mississippi Foundation is a legally separate, tax-exempt organization. The Foundation raises and manages funds that predominately act to supplement the resources that are available to the University in support of its programs. The Board of Directors of the Foundation consists of alumni and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, which the Foundation holds and invests, are restricted to the activities of the University by donors. Because the majority of these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Although the University is the primary beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University, the IHL and the State of Mississippi (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

During the year ended June 30, 2020, the Foundation distributed \$8.4 million to support the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained at 118 College Drive #5210, Hattiesburg, MS 39406 or at usmfoundation.com.

The following investment disclosures pertain to The University of Southern Mississippi Foundation:

Investments are summarized as follows at June 30, 2020 and 2019

	2020	2019
Investment Strategy:		
Cash and Cash Equivalents	199,358	163,453
Fixed Income:		
U.S. Government securities	1,292,935	1,030,050
Corporate bonds	3,052,100	2,545,355
Mutual funds	44,191,350	42,408,778
Other fixed income securities	1,856,205	1,313,963
Total fixed income	<u>50,392,590</u>	<u>47,298,146</u>
Equities:		
Mutual and common stock funds	49,257,498	51,202,025
Total equities	<u>49,257,498</u>	<u>51,202,025</u>
Alternative investments		
Hedge funds	12,553,972	9,372,248
Real estate investment funds	4,236,575	3,430,785
Private equity funds	1,492,076	818,561
Total alternative investments	<u>18,282,623</u>	<u>13,621,594</u>
Pending purchases	-	4,690,000
Investments held at cost	73,532	118,433
Total investments	<u>118,205,601</u>	<u>117,093,651</u>

The following schedule summarizes the net investment gain (loss) and related net asset classification in the consolidated statement of activities:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest (net of expenses of \$627,804)	\$ 2,013,685	\$ 166,276	\$ 2,179,961
Realized gains (losses), net	231,973	1,668,258	1,900,231
Unrealized gains (losses), net	37,638	(2,312,532)	(2,274,894)
Total	<u>\$ 2,283,296</u>	<u>\$ (477,998)</u>	<u>\$ 1,805,298</u>

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, respectively. The University follows the “business type activities” reporting requirements of GASB Statement No. 34 which provides a comprehensive presentation of the University’s financial activities.

The Foundation is a private, nonprofit corporation that reports under the Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statement information in the University’s financial reporting entity for these differences.

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 reduced to a legal or contractual obligation to pay. All significant intra-institutional transactions have been eliminated.

Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements. State appropriations are recognized as nonoperating revenues when eligibility requirements are satisfied.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The University’s investments are invested in various types of investment securities and in various companies within various markets. Investment securities are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the University’s financial statements.

Significant estimates also include the determination of the allowances for uncollectible accounts and notes receivable. As a result, there is at least a reasonable possibility that recorded estimates associated with these assets could change by a material amount in the near term.

In connection with the preparation of the financial statements, management evaluated subsequent events through the date the financial statements were available to be issued.

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.

Short-Term Investments

Short-term investments are investments that are not cash equivalents but mature within the next fiscal year.

Accounts Receivable, Net

Accounts receivable consist mainly of tuition and fee charges to students, as well as amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to University grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.



Student Notes Receivable, Net

Student notes receivable consist of federal, state, and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances that are expected to be paid during the next fiscal year are presented on the Statement of Net Position 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 noncurrent assets on the Statement of Net Position. Student notes receivable are recorded net of an allowance for doubtful accounts.

Inventories

Inventories consist of items stocked for repairs, maintenance, retail operations and the student pharmacy. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the weighted average cost basis.

Prepaid Expenses

Prepaid expenses consist of expenditures that are related to projects, programs, activities or revenues of future fiscal periods.

Noncurrent Restricted Cash and Investments

Cash and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or noncurrent assets, are classified as noncurrent assets in the Statement of Net Position.

Endowment Investments

Endowment investments are generally subject to the restrictions of donor gift instruments. They include true endowment funds, which are funds received from a donor with the restriction that only the income is to be utilized, and funds functioning as endowments, which are funds established by the governing board to function like an endowment fund but may be totally expended at any time at the discretion of the governing board.

Other Long Term Investments

Investments are reported at fair value. 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 Position.

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. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. 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 was 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.

Collections

On occasion, the University 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 University is not required to capitalize these collections and in practice generally does not capitalize their value in the financial presentation.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of amounts owed to vendors, contractors, or accrued items such as interest, wages, and salaries.

Unearned Revenues

Unearned revenues include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. It also includes amounts received from grant and contract sponsors that have not yet been earned.

Deposits Refundable

Deposits refundable represent good faith deposits from students to secure admission to various programs and to reserve housing assignments.

Income Taxes

The University of Southern Mississippi is considered an agency of the state and is treated as a governmental entity for tax purposes. As such, the University generally is not subject to federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the University does 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 it 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.

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 fifteen years of service; and 18 hours per month for fifteen years of service and over. 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 fifteen years of service; and 16 hours per month for fifteen years of service and over. 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.

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.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method.

Government Advances Refundable

The University participates in the Federal Perkins Loan and Nursing Loan Programs, which are funded through a combination of federal and institutional resources. The portion of the Federal Perkins Loan program that has been funded with federal funds is ultimately refundable to the U.S. government upon the termination of the University's participation in the program. The portion that would be refundable if the program was terminated has been presented as other long-term liabilities and approximated \$24 million as of June 30, 2020.

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

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

Nonoperating revenues and expenses have the characteristics of non-exchange transactions and are defined in GASB No. 9, *Reporting Cash Flows of Proprietary Fund Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34. Examples of nonoperating revenues include state appropriations, gifts and contributions, and investment income. Included in nonoperating gifts and grants are federally awarded student financial aid program revenues of approximately \$37 million for the year ending June 30, 2020. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

Auxiliary Enterprise Activities

Auxiliary enterprises typically exist to furnish goods or services to students, faculty or staff, and 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. Examples are residence halls, food services, and intercollegiate athletic programs (only if they are essentially self-supporting). The general public may be served incidentally by auxiliary enterprises.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. 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). 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 to the aid not considered to be third party aid.

Net Position

Net position represents the difference between all other elements in a statement of financial position and is displayed in three components - net investment in capital assets, net of related debt; restricted and unrestricted.

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable: Net position subject to externally imposed constraints that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Restricted expendable: Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.

Unrestricted: Net positions that are not subject to externally imposed constraints. Unrestricted net positions may be designated for specific purposes by action of management, or the board or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net positions are designated for academic, research, and outreach programs and initiatives; operating and stabilization reserves; capital projects; and capital asset renewals and replacements.

Unclaimed Property

The Mississippi Unclaimed Property Act Miss. Statute Section 89-12-1 to 89-12-57 requires businesses and other organizations to report and remit to the State Treasurer certain funds and securities that have remained unclaimed for 5 years. The University of Southern Mississippi is considered a government or political subdivision or agency qualifying holder. As such, we assume the obligation to communicate with the owner and take reasonable steps to prevent abandonment from being presumed. Under the statute, the mailing of notice to the last known address of the owner by the holder shall constitute compliance with the act. Annually reporting is required through 1984. Thereafter, reporting requirements are every third year on November 1st. Reporting requirements will be as of June 30 preceding (2023, 2026, 2029, etc.) On June 30, 2020, the University had unclaimed property funds totaling \$91,495.

NOTE 2 CASH AND INVESTMENTS

Cash, Cash Equivalents and Short-Term Investments

Investment policies 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. The system's investment policy is governed by State statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998.

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 as noncurrent. Short term investments are investments that are not cash equivalents but mature within the next fiscal year.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the Universities' 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 FDIC.

Investments

Investment policies as set forth by Board policy as authorized by Section 37-101-15, Mississippi Code Annotated (1972), authorizes the universities to invest in equity securities, bonds, and other securities. An institution may, at its discretion, adopt policies affecting investments beyond the standards cited above. Investments are reported at fair value (market).

The following table summarizes the fair value of investments at June 30, 2020 and 2019:

Statement of Net Position Classification	June 30, 2020 Fair Value	June 30, 2019 Fair Value
Short term investments - current assets	\$ 12,909,621	\$ 10,114,009
Noncurrent assets:		
Endowment investments	9,376,865	9,731,561
Other long term investments	26,159,963	49,240,771
Total	\$ 48,446,449	\$ 69,086,341



The following table presents the fair value of investments by type at June 30, 2020, and 2019:

<u>Investment Type</u>	<u>June 30, 2020</u> <u>Fair Value</u>	<u>June 30, 2019</u> <u>Fair Value</u>
U.S. government agency obligations	\$ 19,254,714	\$ 43,613,808
Collateralized mortgage obligations	12,925,178	7,191,110
Mortgage backed securities	-	-
Asset backed securities	44,923	-
U.S. Treasury obligations	5,189,335	5,428,462
Certificate of deposit	870,084	2,532,829
Domestic equity mutual funds	576,445	622,324
International equity mutual funds	156,595	403,928
Fixed income mutual funds	268,127	294,248
Money market funds	350,134	392,183
Domestic equity securities	5,012,317	4,847,061
Global equity securities	121,766	224,227
Municipal bonds	2,100,582	2,009,840
Corporate bonds	1,576,249	1,526,321
Total	<u>\$ 48,446,449</u>	<u>\$ 69,086,341</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy for custodial credit risk. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust

department or agent but not in the government's name. The University did not have any investments exposed to custodial credit risk as of June 30, 2020.

Interest Rate Risk

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 System does not presently have a formal policy that addresses interest rate risk. As of June 30, 2020 and 2019, the University had the following investments subject to interest rate risk.

As of June 30, 2020, and 2019, the University had the following investments subject to interest rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>June 30, 2020</u>			
		<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. government agency obligations	\$ 19,254,714	\$ 12,238,204	\$ 6,656,430	\$ 82,990	\$ 277,090
Collateralized mortgage obligations	12,925,178	-	-	-	12,925,178
Asset backed securities	44,923	-	44,923	-	-
U.S. Treasury obligations	5,189,335	288,058	4,691,934	146,931	62,412
Certificates of deposit - negotiable	324,401	-	324,401	-	-
Fixed income mutual funds	268,127	-	-	268,127	-
Municipal bonds	2,100,582	119,842	1,980,740	-	-
Corporate bonds	1,576,248	96,368	645,000	623,566	211,314
Total	<u>\$ 41,683,508</u>	<u>\$ 12,742,472</u>	<u>\$ 14,343,428</u>	<u>\$ 1,121,614</u>	<u>\$ 13,475,994</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>June 30, 2019</u>			
		<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. government agency obligations	\$ 43,613,808	\$ 8,575,056	\$ 28,281,262	\$ 6,640,281	\$ 117,209
Collateralized mortgage obligations	7,191,110	246,249	-	816,378	6,128,483
U.S. Treasury obligations	5,428,461	1,299,738	3,707,720	321,181	99,822
Certificates of deposit - negotiable	2,005,645	312,003	1,693,642	-	-
Fixed income mutual funds	294,248	-	-	294,248	-
Municipal bonds	2,009,840	113,800	1,896,040	-	-
Corporate bonds	1,526,320	149,403	960,432	344,151	72,334
Total	<u>\$ 62,069,432</u>	<u>\$ 10,696,249</u>	<u>\$ 36,539,096</u>	<u>\$ 8,416,239</u>	<u>\$ 6,417,848</u>

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses credit risk. The ratings are issued upon standards set by Standard & Poors or Moody's. As of June 30, 2020 and 2019, the University had the following investments subject to credit risk:

As of June 30, 2020, the University had the following investments subject to credit risk:

<u>Rating</u>	<u>June 30, 2020 Fair Value</u>	<u>June 30, 2019 Fair Value</u>
AAA	\$ 13,263,268	\$ 22,989,137
AA	307,957	9,998,337
A	820,728	738,811
BA	-	5,677
BAA	101,041	116,094
BBB	-	-
Rating not available	22,001,180	20,787,271
Total	<u>\$ 36,494,174</u>	<u>\$ 54,635,327</u>

Concentration of Credit Risk

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.

The University had the following investments that represent more than five percent of investments as of June 30, 2020:

<u>Issuer</u>	<u>June 30, 2020</u>	
	<u>Fair Value</u>	<u>Percentage</u>
Federal National Mortgage Association	\$ 5,836,010	12.0%
Federal Home Loan Bank	4,747,100	9.8%
Federal Farm Credit Bank	4,352,798	9.0%
Federal Home Loan Mortgage Corporation	12,405,203	25.6%
<u>Issuer</u>	<u>June 30, 2019</u>	
	<u>Fair Value</u>	<u>Percentage</u>
Federal National Mortgage Association	\$ 14,347,054	16.8%
Federal Home Loan Bank	16,525,174	23.9%
Federal Farm Credit Bank	10,978,823	15.9%
Federal Home Loan Mortgage Corporation	6,316,124	6.2%

Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses foreign currency risk. The University's exposure to foreign currency risk was limited to American Depository Receipts (ADRs) for non-U.S. equities of \$121,766 and \$224,227 at June 30, 2020 and 2019, respectively, and investments in international equity mutual funds of \$156,595 and \$403,928 at June 30, 2020 and 2019, respectively.

NOTE 3 INVESTMENT FAIR VALUE MEASUREMENT

In compliance with GASB Statement No. 72, *Fair Value Measurement and Application*, the following tables present the financial assets carried at fair value by level within the valuation hierarchy, as of June 30, 2020 and 2019.

	2020			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
U.S. Treasury securities	\$ 5,189,335	\$ -	\$ -	\$ 5,189,335
Fixed income mutual funds	268,127	-	-	268,127
U.S. Government agency securities	-	19,254,714	-	19,254,714
Mortgage obligations and asset backed securities	-	12,970,101	-	12,970,101
Corporate bonds and notes	-	1,576,249	-	1,576,249
Certificates of deposit	-	870,084	-	870,084
Municipal bonds	-	2,100,582	-	2,100,582
Money market funds	-	350,134	-	350,134
Repurchase agreements	-	-	-	-
Total fixed income investments	<u>\$ 5,457,462</u>	<u>\$ 37,121,864</u>	<u>\$ -</u>	<u>\$ 42,579,326</u>
Equity securities:				
Domestic equity securities	\$ 5,012,317	\$ -	\$ -	\$ 5,012,317
Equity mutual funds	733,040	-	-	733,040
International equity	-	-	-	-
Total equity securities	<u>\$ 5,745,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,745,357</u>
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds	\$ -	\$ -	\$ -	\$ -
Venture capital	-	-	-	-
Mississippi State Foundation Investment Pool	-	-	-	-
University of Mississippi Foundation Investment Pool	-	-	-	-
Other miscellaneous investments	-	-	-	121,766
Total investments measured at NAV				<u>\$ 121,766</u>
Total investments measured at fair value				<u>\$ 48,446,449</u>

	2019			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
U.S. Treasury securities	\$ 5,428,462	\$ -	\$ -	\$ 5,428,462
Fixed income mutual funds	294,248	-	-	294,248
U.S. Government agency securities	-	43,613,808	-	43,613,808
Mortgage obligations and asset backed securities	-	7,191,110	-	7,191,110
Corporate bonds and notes	-	1,526,321	-	1,526,321
Certificates of deposit	-	2,532,829	-	2,532,829
Municipal bonds	-	2,009,840	-	2,009,840
Money market funds	-	392,183	-	392,183
Repurchase agreements	-	-	-	-
Total fixed income investments	\$ 5,722,710	\$ 57,266,091	\$ -	\$ 62,988,801
Equity securities:				
Domestic equity securities	\$ 4,847,061	\$ -	\$ -	\$ 4,847,061
Equity mutual funds	1,026,252	-	-	1,026,252
International equity	-	-	-	-
Total equity securities	\$ 5,873,313	\$ -	\$ -	\$ 5,873,313
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds	\$ -	\$ -	\$ -	\$ -
Venture capital	-	-	-	-
Mississippi State Foundation Investment Pool	-	-	-	-
University of Mississippi Foundation Investment Pool	-	-	-	-
Other miscellaneous investments	-	-	-	224,227
Total investments measured at NAV				\$ 224,227
Total investments measured at fair value				\$ 69,086,341

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that the government has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.



NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Student tuition	\$ 1,180,618	\$ 4,838,892
Scholarships	853,076	356,937
Auxiliary enterprises and other operating activities	8,925,844	7,473,082
Federal, state and private grants and contracts	17,901,176	20,426,683
State appropriations	3,845,326	1,115,572
Accrued interest	134,829	415,531
Other	<u>760,645</u>	<u>876,160</u>
 Total Accounts Receivable	 \$ 33,601,514	 \$ 35,502,857
 Less allowance for doubtful accounts	 <u>(5,282,000)</u>	 <u>(5,282,000)</u>
 Accounts Receivable, Net	 <u>\$ 28,319,514</u>	 <u>\$ 30,220,857</u>

NOTE 5 NOTES RECEIVABLE FROM STUDENTS

Notes receivable from students are payable in installments over a period of up to ten years, commencing twelve months from the date of separation from the institution or the date that the enrollment status of the student drops below half-time. 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, 2020 and 2019:

	Interest Rates	<u>2020</u>		
		<u>June 30, 2020</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Perkins student loans	3% to 5%	\$ 23,313,003	\$ 3,342,395	\$ 19,970,608
Institutional loans	0% to 3%	115,290	2,057	113,233
Nursing faculty loans	3%	<u>1,145,279</u>	<u>20,664</u>	<u>1,124,615</u>
Total Notes Receivable		\$ 24,573,572	\$ 3,365,116	\$ 21,208,456
Less allowance for doubtful accounts		<u>(3,600,000)</u>	<u>(1,632,197)</u>	<u>(1,967,803)</u>
Notes Receivable, Net		<u>\$ 20,973,572</u>	<u>\$ 1,732,919</u>	<u>\$ 19,240,653</u>
		 <u>2019</u>		
	Interest Rates	<u>June 30, 2019</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Perkins student loans	3% to 5%	\$ 26,512,038	\$ 3,704,696	\$ 22,807,342
Institutional loans	0% to 3%	117,233	2,462	114,771
Nursing faculty loans	3%	<u>1,076,688</u>	<u>64,528</u>	<u>1,012,160</u>
Total Notes Receivable		\$ 27,705,959	\$ 3,771,686	\$ 23,934,273
Less allowance for doubtful accounts		<u>(3,600,000)</u>	<u>(41,532)</u>	<u>(3,558,468)</u>
Notes Receivable, Net		<u>\$ 24,105,959</u>	<u>\$ 3,730,154</u>	<u>\$ 20,375,805</u>

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2020 and 2019, respectively, is presented as follows:

	2020			
	July 1, 2019	Additions	Deletions	June 30, 2020
Nondepreciable Capital Assets:				
Land	\$ 18,063,425	\$ 442,393	\$ -	\$ 18,505,818
Construction in progress	11,937,295	10,483,524	12,149,751	10,271,068
Total Nondepreciable Capital Assets	\$ 30,000,720	\$ 10,925,917	\$ 12,149,751	\$ 28,776,886
Depreciable Capital Assets:				
Improvements other than buildings	\$ 61,788,296	\$ 651,138	\$ -	\$ 62,439,434
Buildings	643,564,037	19,191,282	232,885	662,522,434
Equipment	87,838,582	5,348,595	1,829,579	91,357,598
Assets under capital lease	-	-	-	-
Libraries	66,298,093	92,509	391,065	65,999,537
Total Cost of Depreciable Capital Assets	\$ 859,489,008	\$ 25,283,524	\$ 2,453,529	\$ 882,319,003
Total Cost of Capital Assets	\$ 889,489,728	\$ 36,209,441	\$ 14,603,280	\$ 911,095,889
Less Accumulated Depreciation for:				
Improvements other than buildings	\$ 21,133,390	\$ 2,266,922	\$ -	\$ 23,400,312
Buildings	156,629,055	12,555,788	-	169,184,843
Equipment	61,628,403	4,053,225	1,468,373	64,213,255
Assets under capital lease	-	-	-	-
Libraries	65,296,874	324,343	391,065	65,230,152
Total Accumulated Depreciation	\$ 304,687,722	\$ 19,200,278	\$ 1,859,438	\$ 322,028,562
Capital Assets, Net	\$ 584,802,006	\$ 17,009,163	\$ 12,743,842	\$ 589,067,327
2019				
	July 1, 2018	Additions	Deletions	June 30, 2019
Nondepreciable Capital Assets:				
Land	\$ 17,611,444	\$ 451,981	\$ -	\$ 18,063,425
Construction in progress	24,889,388	8,999,182	21,951,275	11,937,295
Total Nondepreciable Capital Assets	\$ 42,500,832	\$ 9,451,163	\$ 21,951,275	\$ 30,000,720
Depreciable Capital Assets:				
Improvements other than buildings	\$ 60,774,101	\$ 1,014,195	\$ -	\$ 61,788,296
Buildings	623,018,223	20,997,795	451,981	643,564,037
Equipment	83,251,828	7,535,358	2,948,604	87,838,582
Assets under capital lease	-	-	-	-
Libraries	66,613,242	135,538	450,687	66,298,093
Total Cost of Depreciable Capital Assets	\$ 833,657,394	\$ 29,682,886	\$ 3,851,272	\$ 859,489,008
Total Cost of Capital Assets	\$ 876,158,226	\$ 39,134,049	\$ 25,802,547	\$ 889,489,728
Less Accumulated Depreciation for:				
Improvements other than buildings	\$ 18,947,827	\$ 2,185,563	\$ -	\$ 21,133,390
Buildings	144,690,230	11,938,825	-	156,629,055
Equipment	60,227,559	4,011,830	2,610,986	61,628,403
Assets under capital lease	-	-	-	-
Libraries	65,279,026	468,535	450,687	65,296,874
Total Accumulated Depreciation	\$ 289,144,642	\$ 18,604,753	\$ 3,061,673	\$ 304,687,722
Capital Assets, Net	\$ 587,013,584	\$ 20,529,296	\$ 22,740,874	\$ 584,802,006

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

	<u>Estimated Useful Lives</u>	<u>Salvage Value</u>
Buildings	40 years	20%
Improvements other than buildings	20 years	20%
Equipment	3 - 15 years	1 - 10%
Library materials	10 years	0%

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Payable to vendors and contractors	\$ 13,453,736	\$ 9,255,204
Accrued salaries, wages and employee withholdings	7,840,970	6,380,877
Accrued interest	2,174,340	2,241,286
Other	<u>1,142,301</u>	<u>(97,075)</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 24,611,347</u>	<u>\$ 17,780,292</u>

All amounts are considered current and expected to be settled within one year.

NOTE 8 UNEARNED REVENUES

Unearned revenues consisted of the following as of June 30, 2020, and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Tuition and fees	\$ 6,405,370	\$ 6,372,617
Athletics ticket sales	744,032	883,392
Federal, state and private grants and contracts	2,868,702	2,638,180
Auxiliary room and board	8,632	240,335
Other	<u>118,460</u>	<u>311,352</u>
Total Unearned Revenues	<u>\$ 10,145,196</u>	<u>\$ 10,445,876</u>

All amounts are considered current and will be fully recognized within one year.



NOTE 9 LONG-TERM LIABILITIES

Long-term liabilities include notes and bonds payable, certificates of participation, capital lease obligations, compensated absences, federal loan fund contingency, and certain other liabilities that are expected to be liquidated at least one year from fiscal year end. This contingency represents the federal portion of the Perkins Loan program, which would be due and payable to the U.S. government if the University ceases to participate in this program.

The University has one note payable, which was issued to construct a football stadium scoreboard on the Hattiesburg campus. Bonds payable consist of debt instruments issued for the construction of buildings, major renovations and improvements on the Hattiesburg campus.

The University participates in the master lease/purchase program, which is a centralized program maintained by the IHL Board office of the Mississippi Institutions for Higher Learning in which the universities' essential governmental-use equipment needs are consolidated into and financed as one request. This consolidation means the cost of issuance is lower and the institutions collectively receive a better interest rate than they would have received individually. Lease terms for equipment purchased through the master lease/purchase program 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, 2020 is listed in the following schedules. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (Fiscal Year)	Year ended June 30, 2020				
				Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonded Debt								
SMEBC Series 2009	\$ 49,900,000	2.75 - 5.375%	2020	\$ 735,000	\$ -	\$ 735,000	\$ -	\$ -
SMEBC Series 2013	51,875,000	2.00 - 5.00%	2044	8,130,000	-	395,000	7,735,000	470,000
SMEBC Series 2015A	38,600,000	2.00 - 5.00%	2034	35,390,000	-	1,395,000	33,995,000	1,495,000
SMEBC Series 2015B	16,690,000	0.50 - 3.25%	2027	9,735,000	-	2,260,000	7,475,000	2,300,000
SMEBC Series 2016	58,870,000	2.00 - 5.00%	2040	57,880,000	-	350,000	57,530,000	1,200,000
SMEBC Series 2017	44,005,000	2.00 - 5.00%	2043	43,240,000	-	165,000	43,075,000	170,000
Unamortized Premium				13,714,071	-	1,376,061	12,338,010	1,381,012
Total Bonded Debt				\$ 168,824,071	\$ -	\$ 6,676,061	\$ 162,148,010	\$ 7,016,012
Other Long Term Liabilities								
Accrued leave liabilities				\$ 9,451,309	\$ 607,563	\$ -	\$ 10,058,872	\$ 1,207,065
Net pension liability				224,453,669	6,876,458	-	231,330,127	-
Net OPEB liability				14,044,422	1,229,641	-	15,274,063	-
Deposits refundable				2,706	360	-	3,066	-
Federal Loan Fund Repayment Contingency				26,038,153	-	2,333,983	23,704,170	-
Total Other Liabilities				\$ 273,990,259	\$ 8,714,022	\$ 2,333,983	\$ 280,370,298	\$ 1,207,065
Total				\$ 442,814,330	\$ 8,714,022	\$ 9,010,044	\$ 442,518,308	\$ 8,223,077
Due within one year							(8,223,077)	
Total Noncurrent Liabilities							\$ 434,295,231	

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (Fiscal Year)	Year ended June 30, 2020				
				Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonded Debt								
SMEBC Series 2009	\$ 49,900,000	2.75 - 5.375%	2020	\$ 735,000	\$ -	\$ 735,000	\$ -	\$ -
SMEBC Series 2013	51,875,000	2.00 - 5.00%	2044	8,130,000	-	395,000	7,735,000	470,000
SMEBC Series 2015A	38,600,000	2.00 - 5.00%	2034	35,390,000	-	1,395,000	33,995,000	1,495,000
SMEBC Series 2015B	16,690,000	0.50 - 3.25%	2027	9,735,000	-	2,260,000	7,475,000	2,300,000
SMEBC Series 2016	58,870,000	2.00 - 5.00%	2040	57,880,000	-	350,000	57,530,000	1,200,000
SMEBC Series 2017	44,005,000	2.00 - 5.00%	2043	43,240,000	-	165,000	43,075,000	170,000
Unamortized Premium				13,714,071	-	1,376,061	12,338,010	1,381,012
Total Bonded Debt				\$ 168,824,071	\$ -	\$ 6,676,061	\$ 162,148,010	\$ 7,016,012
Other Long Term Liabilities								
Accrued leave liabilities				\$ 9,451,309	\$ 607,563	\$ -	\$ 10,058,872	\$ 1,207,065
Net pension liability				224,453,669	6,876,458	-	231,330,127	-
Net OPEB liability				14,044,422	1,229,641	-	15,274,063	-
Deposits refundable				2,706	360	-	3,066	-
Federal Loan Fund Repayment Contingency				26,038,153	-	2,333,983	23,704,170	-
Total Other Liabilities				\$ 273,990,259	\$ 8,714,022	\$ 2,333,983	\$ 280,370,298	\$ 1,207,065
Total				\$ 442,814,330	\$ 8,714,022	\$ 9,010,044	\$ 442,518,308	\$ 8,223,077
Due within one year							(8,223,077)	
Total Noncurrent Liabilities							\$ 434,295,231	

S.M Educational Building Corporation issued bonds totaling \$49,900,000 in February 2009 (Series 2009) to provide funds for the construction, equipping and landscaping of student housing facilities, including appropriate external infrastructure improvements such as parking, utilities, streets and drives on the Hattiesburg campus. The bonds bear interest rates ranging from 2.75% to 5.375%, payable semi-annually with a final maturity in September 2020. \$44,005,000 of this Series was refinanced and is part of the Series 2017 Bonds with a final maturity date of March 2043.

S.M. Educational Building Corporation issued bonds totaling \$51,875,000 in June 2013 (Series 2013) to provide funds for the construction, furnishing and equipping of a 954-bed student residential complex on the main campus of Hattiesburg known as Century Park South, which includes a new student health clinic, administrative offices and a large multi-purpose space, and demolishing of abandoned facilities. A portion of the proceeds (\$1,160,000) were utilized to refund all of the outstanding SMEBC Revenue Bonds, Series 1997A (Payne Center Project) originally issued in December 1997 in the principal amount of \$5,335,000. The bonds bear interest at rates ranging from 2% to 5%, payable semi-annually with a final maturity in March 2044.

S.M Educational Building Corporation issued bonds totaling \$55,290,000 in April 2015 (Series 2015A & 2015B) for refunding of portions of SMEBC bonds issued in June 2006 (Series 2006A & 2006B) and April 2007 (Series 2007). Outstanding coupons bear interest at rates ranging from .50% to 5.00% with final maturity in March 2034. Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for

financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. As a result of the refunding, the University reduced its debt service by \$6.6 million over the next 19 years and obtained an economic gain of \$5.1 million.

S.M Educational Building Corporation issued bonds totaling \$58,870,000 in February 2016 (Series 2016) for refunding of portions of SMEBC bonds issued in February 2009 (Series 2009) and all of the Certificates of Participation issued through the University of Southern Mississippi Real Estate Foundation in November 2009 (Series 2009). Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in September 2040. Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. As a result of the refunding, the University reduced its debt service by \$8.7 million over the next 23 years and obtained an economic gain of \$5.6 million.

S.M Educational Building Corporation issued bonds totaling \$44,005,000 in December 2017 (Series 2017) for a partial refunding of SMEBC bonds issued in May 2013 (Series 2013) for the Century Park South facilities. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in September 2043. Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements.



Scheduled maturities of Long-Term Liabilities at June 30, 2020:

<u>Fiscal Year</u>	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Notes Payable</u>	<u>Interest</u>
2021	7,016,012	-	-	6,411,901
2022	7,025,030	-	-	6,221,251
2023	6,097,947	-	-	5,997,599
2024	6,514,927	-	-	5,774,466
2025	6,937,129	-	-	5,538,026
2026 - 2030	40,450,477	-	-	23,307,134
2031 - 2035	47,078,049	-	-	13,805,713
2036 - 2040	28,375,529	-	-	4,942,800
2041 - 2045	12,652,910	-	-	950,650
Total	<u>\$ 162,148,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,949,540</u>

NOTE 10 OPERATING LEASES

Property under operating leases is composed of office space, land, computer software and equipment.

The following is a schedule by years of the future minimum rental payments required under those operating leases:

<u>Fiscal Year</u>	<u>Amount</u>
2021	1,550,685
2022	559,363
2023	429,224
2024	324,316
2025	282,099
Total Minimum Payments Required	<u>\$ 3,145,687</u>

Total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal years ending June 30, 2020 and 2019, was \$1,637,741 and \$1,984,187, respectively.



NOTE 11 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows for the year ended June 30, 2020 and 2019, respectively:

Functional Classification	2020								
	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 60,924,961	\$ 26,395,174	\$ 1,315,651	\$ 3,300,059	\$ 3,507	\$ -	\$ 2,056,835	\$ -	\$ 93,996,187
Research	21,439,236	10,226,512	1,033,090	20,078,785	374,713	-	3,479,026	-	56,631,362
Public service	8,477,871	2,980,672	330,220	4,097,875	9,605	-	609,405	-	16,505,648
Academic support	12,030,769	4,610,828	193,545	4,504,570	-	-	1,275,869	-	22,615,581
Student services	6,875,022	2,711,229	145,919	1,469,403	-	-	987,417	-	12,188,990
Institutional support	13,358,524	5,939,378	182,556	4,105,538	10,090	-	999,711	-	24,595,797
Operation of plant	7,792,945	3,852,406	31,512	8,571,125	6,347,496	-	1,696,360	-	28,291,844
Student aid	-	-	-	-	-	28,464,154	-	-	28,464,154
Auxiliary enterprises	14,633,241	5,510,226	2,643,941	9,028,077	3,177,856	-	4,163,572	-	39,156,913
Depreciation	-	-	-	-	-	-	-	19,200,278	19,200,278
Total Operating Expenses	\$ 145,532,569	\$ 62,226,425	\$ 5,876,434	\$ 55,155,432	\$ 9,923,267	\$ 28,464,154	\$ 15,268,195	\$ 19,200,278	\$ 341,646,754

Functional Classification	2019								
	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 59,614,150	\$ 23,404,301	\$ 1,860,571	\$ 3,884,781	\$ 419	\$ -	\$ 2,259,107	\$ -	\$ 91,023,329
Research	20,211,085	10,710,899	1,332,732	23,435,286	366,570	-	4,163,608	-	60,220,179
Public service	9,472,564	3,268,771	558,337	5,328,627	5,766	-	947,644	-	19,581,708
Academic support	11,949,051	4,244,083	309,584	5,351,117	-	-	929,292	-	22,783,128
Student services	6,627,720	2,334,552	205,144	1,431,348	-	-	1,145,718	-	11,744,483
Institutional support	13,049,988	3,938,082	257,604	4,415,682	15,981	-	700,612	-	22,377,950
Operation of plant	7,715,812	4,012,989	24,321	8,232,131	6,690,536	-	1,606,392	-	28,282,180
Student aid	-	-	-	-	-	21,675,156	-	-	21,675,156
Auxiliary enterprises	14,589,520	4,857,668	3,049,347	9,028,175	3,327,068	-	4,500,645	-	39,352,422
Depreciation	-	-	-	-	-	-	-	18,604,754	18,604,754
Total Operating Expenses	\$ 143,229,890	\$ 56,771,346	\$ 7,597,640	\$ 61,107,147	\$ 10,406,339	\$ 21,675,156	\$ 16,253,018	\$ 18,604,754	\$ 335,645,290

NOTE 12 CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted or made commitments for various construction projects as of June 30, 2020. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Projects	Total Costs	Remaining Estimated Costs to Complete	Funded by Federal Sources	Funded by State Sources	Institutional Funds
University Signage and Wayfinding	601,460	90,448	-	-	90,448
GP Student Resource Center	300,000	87,828	-	-	87,828
McCain Library Envelope Repairs	2,107,043	799,891	-	799,891	-
MDOT Montague Pedestrian Pathway	868,303	815,878	-	656,896	158,982
Invertebrate Growout II Design	500,000	271,166	-	-	271,166
Union Plaza Renovation	2,400,000	598,664	-	-	598,664
Pinehaven Demolition	1,415,000	225,014	-	-	225,014
MDOT Hardy St. Pedestrian Pathway	750,000	697,750	-	-	-
Gulf Park Drive Sidewalk & Lighting	320,852	297,852	-	578,000	119,750
North Campus Gateway	150,000	144,945	-	231,400	66,452
Center for Military Veterans	2,000,000	1,988,152	-	-	144,945
GCRL Director's House	97,505	33,000	-	-	1,988,152
Cook Library	12,132,980	6,279,180	-	-	33,000
Total	\$ 23,643,143	\$ 12,329,768	\$ -	\$ 8,545,367	\$ 3,784,401

NOTE 13 DONOR RESTRICTED ENDOWMENTS

The net appreciation on investments of donor restricted endowments as of June 30, 2020 and 2019, that is available for authorization for expenditure is \$3,807,775

and \$4,162,471, respectively. This amount is included in the Statement of Net Position as endowment investments.

NOTE 14 EMPLOYEE BENEFITS – PENSION PLANS

The University of Southern Mississippi 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 contribution	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, 2019 for fiscal year 2020 and June 30, 2018 for fiscal year 2019.

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 can be obtained at www.pers.ms.gov.

DISCLOSURES UNDER GASB STATEMENT NO. 68

The pension disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2019). For fiscal year 2020, the measurement date for the PERS defined benefit plan is June 30, 2019. For fiscal year 2019, the measurement date for the PERS defined benefit plan is June 30, 2018. The University is presenting net pension liability as of June 30, 2019 and 2018 for the fiscal years 2020 and 2019 financials, respectively.

(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. 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 was 15.75% for the year ending June 30, 2019 and 17.40% for the year ending June 30, 2020 for each year of annual payroll. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the University are recognized when legally due based on statutory requirements.

EMPLOYER CONTRIBUTIONS

The University's contributions to PERS for the years ended June 30, 2020 and 2019 were \$13.9 million and \$13.5 million, respectively. The University's proportionate share was calculated on the basis of historical contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to

the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the University that are not representative of future contribution effort are excluded in the determination of employer's proportionate share.

Examples of employer contributions not representative of future contribution efforts are contributions towards the purchase of employee service and employer contributions paid by employees in connection with early retirement.

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

<u>Plan</u>	<u>Proportionate share of contributions</u>	<u>Allocation percentage of proportionate share of collective pension amount</u>	<u>Change in proportionate share of collective pension amount</u>
PERS Defined Benefit:			
2020	\$ 13,488,454	1.314975%	-0.034475%
2019	13,572,610	1.349450%	0.013621%

NET PENSION LIABILITY

The University of Southern Mississippi's proportion of the net pension liability at June 30, 2020 and 2019 is as follows:

<u>Plan</u>	<u>Proportion of net pension liability</u>	<u>Proportionate share of net pension liability</u>
PERS Defined Benefit:		
2020	1.314975%	\$ 231,330,127
2019	1.349450%	224,453,669

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Deferred outflows of resources were related to differences between expected and actual experience, changes of assumptions, changes in proportion and differences between employer contributions and the proportionate share of contributions, and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and

demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is approximately five years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources.

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

2020								
Deferred outflows					Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
\$ 136,849	2,267,978	(2,747,453)	13,777,396	13,434,770	2,530,868	—	249,004	2,779,872

Contributions subsequent to the measurement date of \$13.8 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

2019									
Deferred outflows					Deferred inflows				
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources	
\$ 983,992	132,422	3,009,520	13,321,459	17,447,393	4,461,836	123,960	946,181	5,531,977	

Contributions subsequent to the measurement date of \$13.3 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Deferred outflows of resources Year Ended June 30				
2021	2022	2023	2024	Total
\$ 390,590	(166,310)	(566,906)	—	(342,626)
Deferred inflows of resources Year Ended June 30				
2021	2022	2023	2024	Total
\$ (241,335)	4,149,894	(72,545)	(1,056,142)	2,779,872

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.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the year ended June 30, 2020 and 2019:

	2020	2019
	June 30, 2019	June 30, 2018
Valuation date	Market value	Market value
Asset valuation method		
Actuarial assumptions:		
Inflation rate	2.75 %	3.00 %
Salary increases	3.00	3.25
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. The projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

DISCOUNT RATE

For the years ended June 30, 2020 and 2019, 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% and 15.75%, respectively) for the years ended June 30, 2020 and 2019. 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.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 and 2019 are summarized in the following table:

Asset class	Year ended June 30, 2020		Year ended June 30, 2019	
	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 %	4.60 %
International equity	22.00	4.75	18.00	4.50
Emerging markets equity			4.00	4.75
Global Equity	12.00	5.00	12.00	4.75
Fixed income	20.00	1.50	18.00	0.75
Real assets	10.00	4.00	10.00	3.50
Private equity	8.00	6.25	8.00	5.10
Emerging debt			2.00	2.25
Cash	1.00	0.25	1.00	0.00
	<u>100.00</u>		<u>100.00</u>	

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 2020 and 2019, calculated using the discount rate of 7.75%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of net pension liability:			
2020	\$ 304,091,467	\$ 231,330,127	\$ 171,272,174
2019	295,541,075	224,453,669	165,370,648

(B) OPTIONAL RETIREMENT PLAN, A DEFINED CONTRIBUTION PLAN

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning faculty. 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.

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, 2020 and 2019 were \$7,095,169 million and \$6,336,605 million, respectively, which equaled its required contribution for the period.

NOTE 15 POST-EMPLOYMENT 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.

MEMBERSHIP AND BENEFITS PROVIDED

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, the Plan is considered a cost-sharing multiple-employer defined

benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

CONTRIBUTIONS

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

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

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

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

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

At June 30, 2019 and 2018, the Plan provided health coverage to 321 and 327 employer units, respectively.

DISCLOSURES UNDER GASB STATEMENT NO. 75

The disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2019). For fiscal year 2020, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2019. For fiscal year 2019, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2018. The University is presenting net OPEB liability as of

June 30, 2019 and 2018 for the fiscal years 2020 and 2019 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, 2020 and 2019, the University reported a liability of \$15.3 million and \$14.0 million, respectively for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2020, the NOL was measured as of June 30, 2019, 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, 2020 and 2019, the University's proportion was 1.80% and 1.82%, respectively.

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$846,882 and \$671,420, respectively. See the following tables for deferred outflows and inflows of resources related to OPEB from the following sources:

2020									
Deferred outflows					Deferred inflows				
Differences between expected and actual experience	Net difference between projected and actual investment earnings on OPEB Plan investments	Change 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	Change of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
\$ 23,094	288	1,138,722	332,726	557,594	2,052,424	792,035	218,633	108,462	1,119,130

\$555,594 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2021

2019						
Deferred outflows				Deferred inflows		
Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
28,595	416,206	612,232	1,057,033	1,000,693	—	1,000,693

\$612,232 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, 2020.

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, 2019 and 2018 measurement period is 6.4 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

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

Deferred outflows (inflows) of resources year ended June 30							
	2021	2022	2023	2024	2025	Thereafter	Total
\$	4,949	4,949	4,949	42,804	157,421	160,628	375,700

ACTUARIAL METHODS AND ASSUMPTIONS

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the years ended June 30, 2020 and 2019:

	2020	2019
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018
Experience study	April 2, 2019	April 18, 2017
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	2.75 %	3.00 %
Long-term expected rate of return	3.50 %	4.50 %
Discount rate	3.50 %	3.89 %
Projected cash flows	N/A	N/A
Projected salary increases	3.00% - 18.25%	3.25% - 18.50%
Healthcare cost trend rates	7.00% decreasing to 4.75% by 2028	7.25% decreasing to 4.75% by 2028

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

MORTALITY

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.

DISCOUNT RATE

For the years ended June 30, 2020 and 2019, the discount rate used to measure the total OPEB liability was 3.50% and 3.89%, respectively. The discount rate is based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

LONG-TERM EXPECTED RATE OF RETURN

At June 30, 2020 and 2019, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 3.50% and 4.50%, respectively.

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following tables presents the University's proportionate share of the NOL for 2020 and 2019, calculated using the discount rate of 3.50% and 3.89%, respectively, as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate Sensitivity		
	1% Decrease	Current	1% Increase
	(2.50%)	discount rate (3.50%)	(4.50%)
University of Southern Mississippi proportionate share of net OPEB liability 2020	\$ 16,966,819	\$ 15,274,063	\$ 13,825,752
	Discount Rate Sensitivity		
	1% Decrease	Current	1% Increase
	(2.89%)	discount rate (3.89%)	(4.89%)
University of Southern Mississippi proportionate share of net OPEB liability 2019	\$ 15,567,894	\$ 14,044,422	\$ 12,734,190

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE HEALTH CARE COST TREND RATES

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

	Health Care Cost Trend Rates Sensitivity		
	1% Decrease	Current	1% Increase
		discount rate	
University of Southern Mississippi proportionate share of net OPEB liability 2020	\$ 14,153,773	\$ 15,274,063	\$ 16,543,162
2019	13,009,777	14,044,422	15,219,484

NOTE 16 FEDERAL DIRECT LENDING AND FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAMS

The institution distributed \$78,152,028 and \$84,297,621 for the years ended June 30, 2020 and 2019, respectively, for student loans through the U.S. Department of Education lending programs. These distributions and their related funding sources are included as noncapital financing disbursements and receipts in the Statement of Cash Flows.

NOTE 17 FOUNDATIONS AND AFFILIATED PARTIES

The University has six affiliated organizations that were evaluated in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the University adopted on July 1, 2012. These organizations were formed exclusively for the benefit of the University and serve to promote, encourage, and assist with educational, scientific, literary, research, athletic, facility improvement, and service activities of the University and its affiliates. These organizations include the S.M. Educational Building Corporation (SMEBC), The University of Southern Mississippi Foundation, The University of Southern Mississippi Research Foundation, The University of Southern Mississippi Athletic Foundation, the University of Southern Mississippi Real Estate Foundation, and The University of Southern Mississippi Alumni Association. These affiliated entities are audited separately and, with the exception of The University of Southern Mississippi Foundation, the University of Southern Mississippi Real Estate Foundation and SMEBC, have not been included in these financial statements. The University of Southern Mississippi Foundation financial statements are presented discreetly following the University's financial statements. In accordance with paragraph 54a of GASB Statement No. 61, the SMEBC and the University of Southern Mississippi Real Estate Foundation are reported as blended component units. Required condensed combined information for the SMEBC and the University of Southern Mississippi Real Estate Foundation is presented below:

	2020	2019
Total Current Assets	\$ 7,016,012	\$ 6,381,062
Total Noncurrent Assets	155,131,997	163,223,011
Total Assets	\$ 162,148,008	\$ 169,604,073
Total Current Liabilities	\$ 7,016,012	\$ 6,381,062
Total Noncurrent Liabilities	155,131,997	163,223,011
Total Liabilities	\$ 162,148,008	\$ 169,604,073
Total Net Position	\$ -	\$ -
Total Operating Revenues	\$ -	\$ -
Total Operating Expenses	-	-
Operating Income (Loss)	\$ -	\$ -
Total Nonoperating Revenues	\$ 10,412,673	\$ 11,187,555
Total Nonoperating Expenses	10,412,673	11,187,555
Change in Net Position	\$ -	\$ -

NOTE 18 CONTINGENCIES

The University is party to various lawsuits arising out of the normal course of operations. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on its financial statements.

The University also participates in certain federally sponsored programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement from the granting agency for expenditures disallowed under the terms of the grant. Management believes disallowances, if any, will not have a material adverse impact on the financial position of the University.

NOTE 19 IMPAIRMENT OF CAPITAL ASSETS

GASB No. 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no capital assets considered impaired in fiscal year 2020.

NOTE 20 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. 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, 2020 and 2019 were \$271,838 and \$387,366, 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 to the Unemployment Trust Fund for the fiscal years ended June 30, 2020 and 2019 were \$281,808 and \$304,692, 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 \$0. 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.

	2020	2019
Fleet Automobile Policy	\$ 99,141	\$ 99,726
Blanket Public Official Bond	2,800	2,800

NOTE 21 RELATED PARTY

The University has a long-term lease agreement with The University of Southern Mississippi Athletic Foundation (Foundation) for facilities to be constructed on property donated to the Foundation for the use and benefit of the University's golf teams. The Foundation will raise funds for the construction of golf facilities and upon completion of the construction of Phase 1 and Phase 2, the University will pay rent to the Foundation in the amount of two percent of the cost of the facilities. Until completion of Phase 1 and 2, the University will pay rent in the amount of \$1,000 per year to the Foundation. The term of the lease agreement is twenty years and the University has the right to extend the agreement for an additional six five-year option periods.

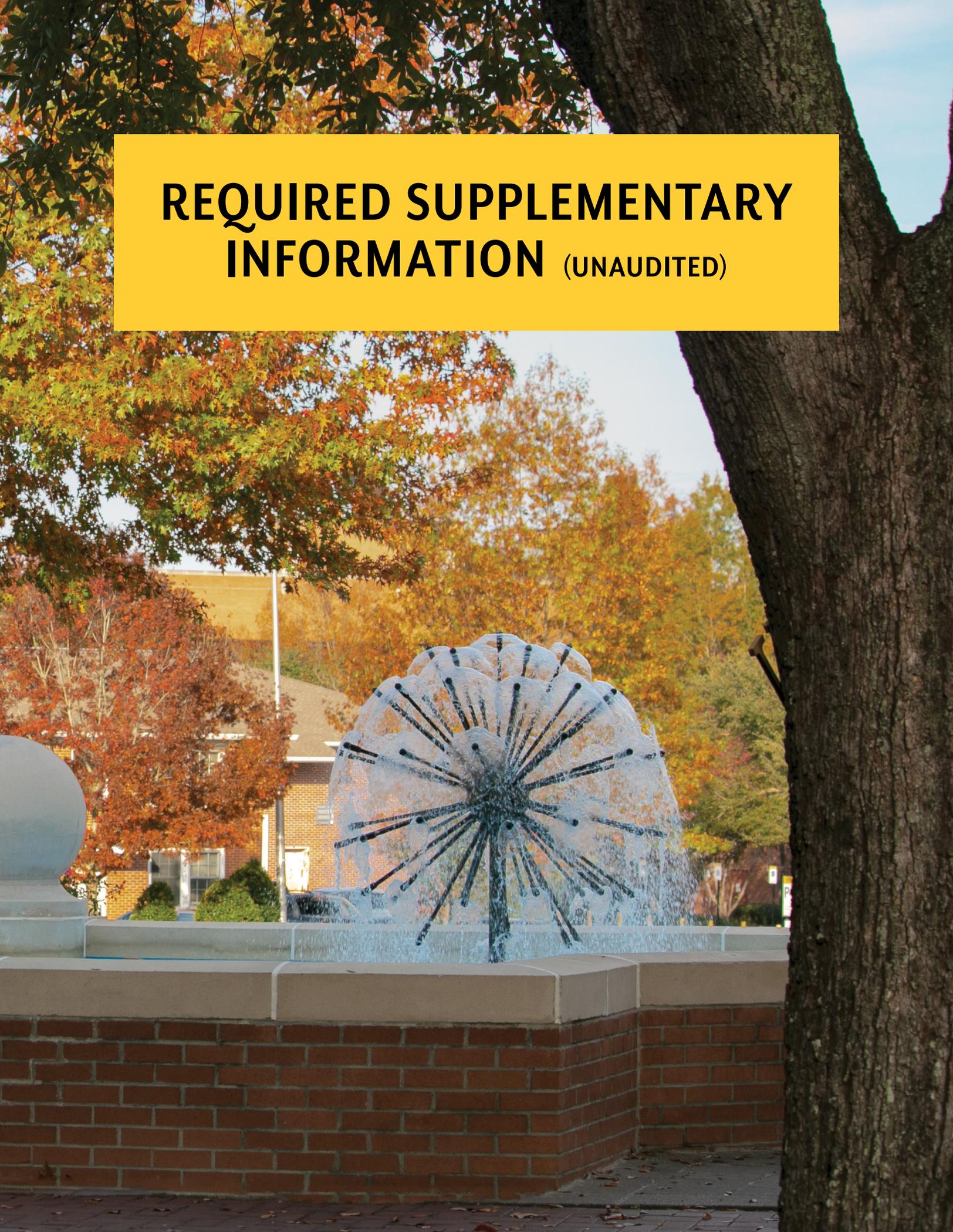




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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

June 30, 2020 and 2019

1. Net Pension Liability

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

This schedule presents historical trend information about the University's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a 10-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. Information related to previous years is not available; therefore, trend information will be accumulated to display a 10-year presentation.

(c) Changes in Assumptions and Benefit Terms (pension plan)

Changes of assumptions:

- 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%.

Changes of benefit terms: Amounts reported for fiscal years 2020 and 2019 reflect no changes in benefit provisions.

2. Net OPEB Liability

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

This schedule presents historical trend information about the University'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 10-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 10-year presentation.

(c) Changes in Assumptions and Benefit Terms (OPEB Plan)

Changes of assumptions: In 2019, the SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date. In 2020, the SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

Changes of benefit terms: Amounts reported for fiscal years 2020 and 2019 reflect no changes to benefit terms.



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118 COLLEGE DRIVE #5143, HATTIESBURG, MS 39406
601.266.4084 | USM.EDU