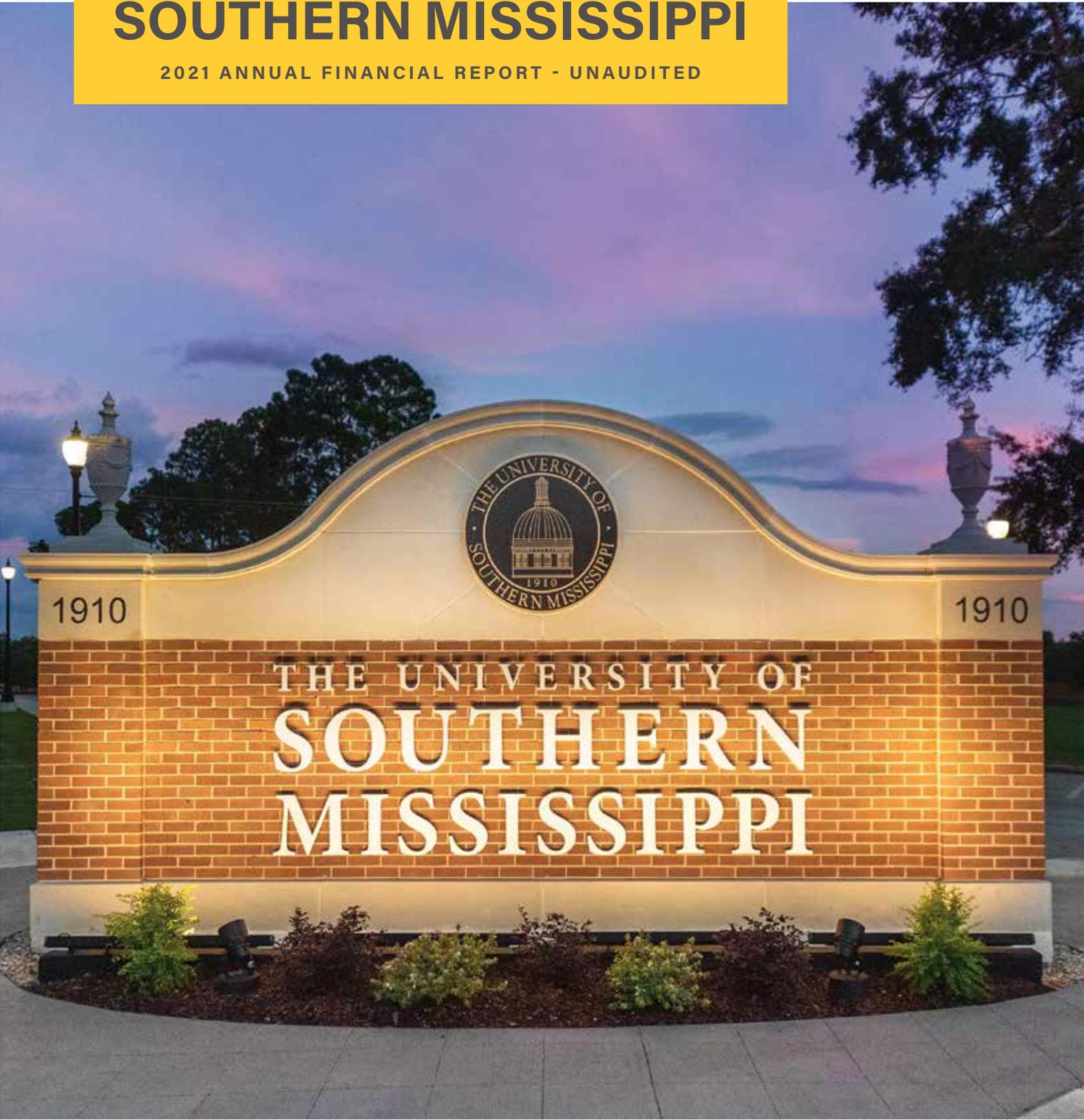


THE UNIVERSITY *of* SOUTHERN MISSISSIPPI

2021 ANNUAL FINANCIAL REPORT - UNAUDITED



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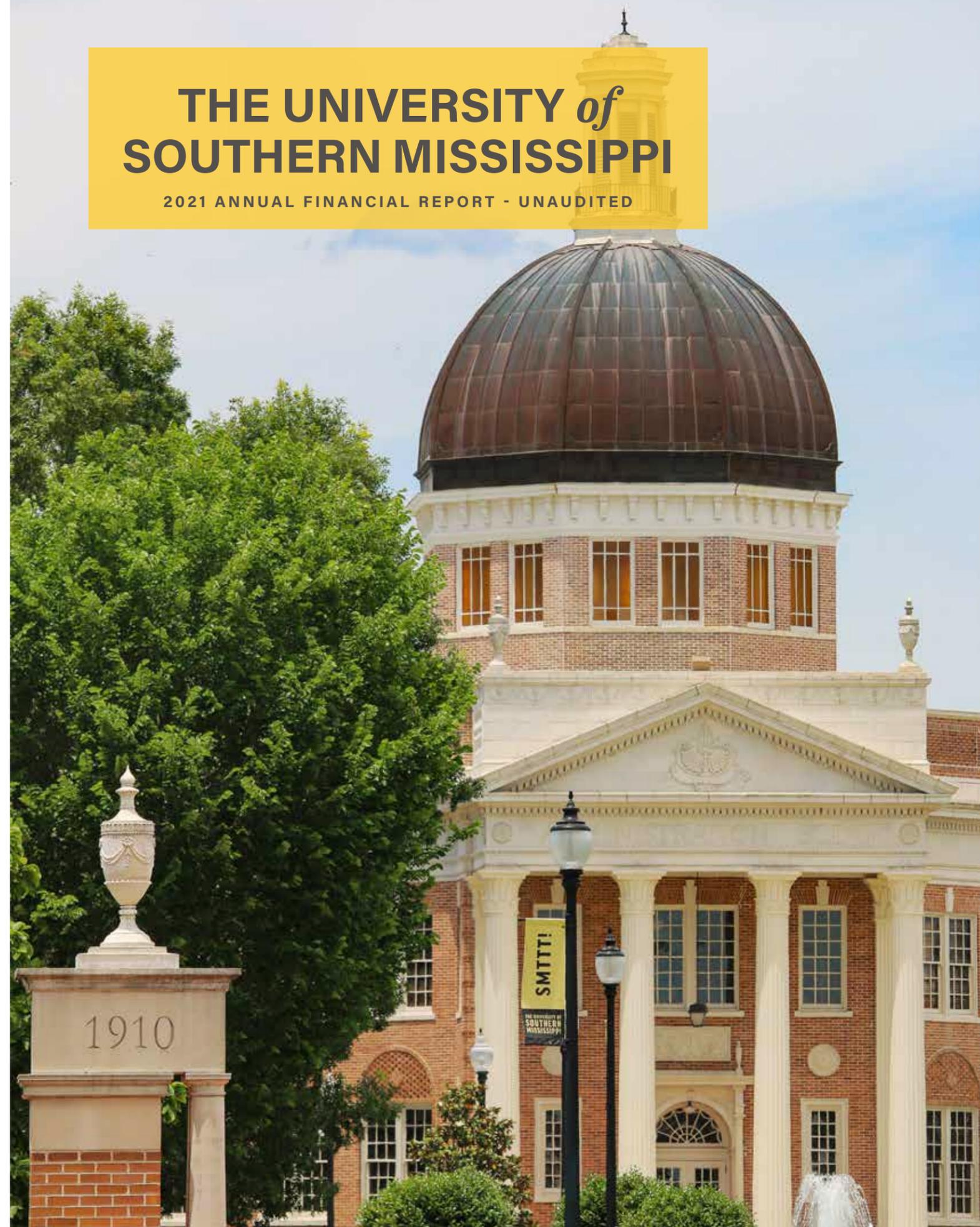




TABLE OF CONTENTS

5	MANAGEMENT’S DISCUSSION AND ANALYSIS
17	FINANCIAL STATEMENTS
18	STATEMENT OF NET POSITION The University of Southern Mississippi
19	STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION The University of Southern Mississippi
20	STATEMENT OF CASH FLOWS The University of Southern Mississippi
22	CONSOLIDATED STATEMENTS OF FINANCIAL POSITION The University of Southern Mississippi Foundation
23	CONSOLIDATED STATEMENTS OF ACTIVITIES The University of Southern Mississippi Foundation
24	CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES The University of Southern Mississippi Foundation
25	CONSOLIDATED STATEMENTS OF CASH FLOWS The University of Southern Mississippi Foundation
27	NOTES TO FINANCIAL STATEMENTS
61	REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

A detailed bronze sculpture of an eagle, likely the bald eagle, is shown in profile. The eagle's wings are fully extended upwards and outwards, revealing the intricate texture of its feathers. Its head is turned to the right, showing a sharp, hooked beak and a focused gaze. The eagle is perched on a dark, textured branch. The background is a soft, out-of-focus landscape with green foliage and a pale blue sky. A bright yellow rectangular box is overlaid on the right side of the image, containing the text "Management's Discussion and Analysis" in a bold, black, sans-serif font.

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, 2021. Fiscal year 2020 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 137 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 39 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 \$663 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 37 National Science Foundation Graduate Research Fellowships, while also leading Mississippi with 27 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, 2021 and 2020.

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

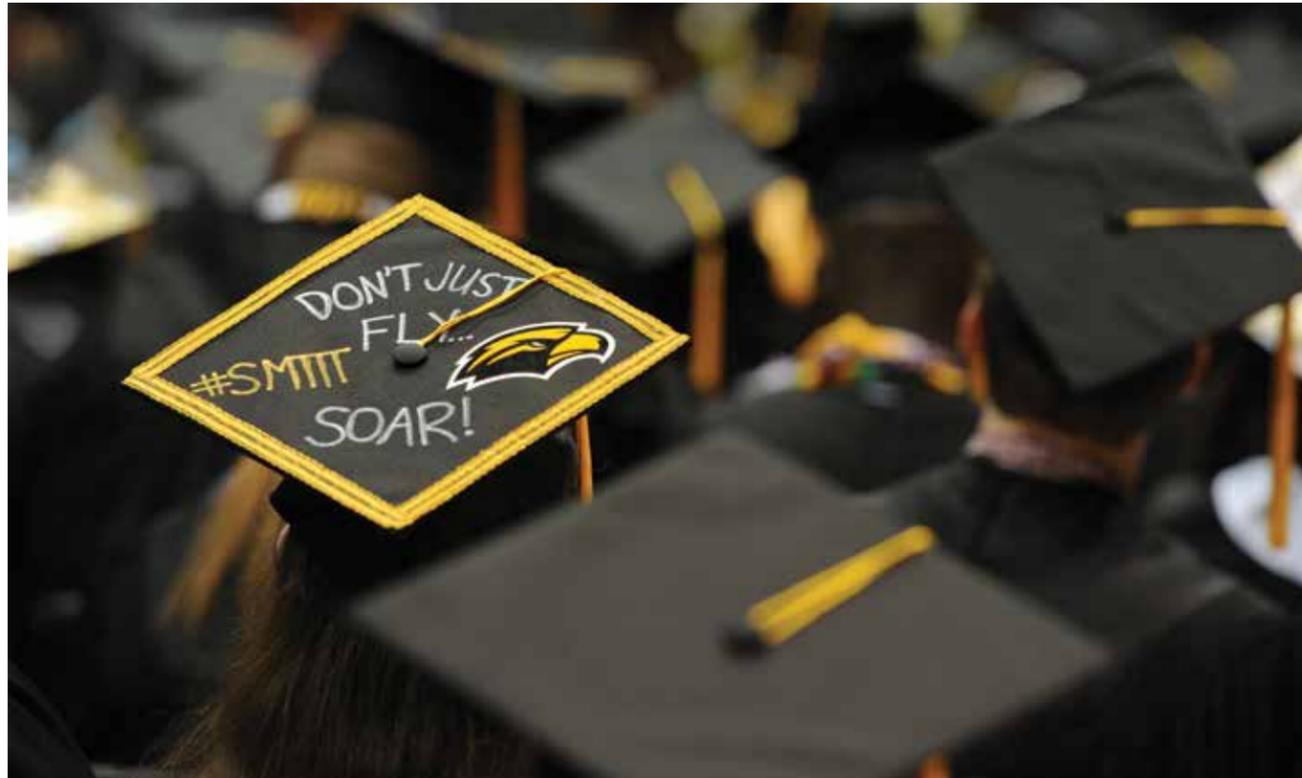
equipment owned by the University. The second category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. Donors have primarily restricted 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, 2021, the University's assets and deferred outflows of resources reached \$855 million. Liabilities and deferred inflows of resources were \$495 million leaving a net position of \$359 million, an overall increase in net position of \$29 million compared to fiscal year 2020.

CONDENSED STATEMENT OF NET POSITION

	June 30, 2021	June 30, 2020	Increase (Decrease)	Percent Change
Current Assets:				
Cash and cash equivalents	\$ 120,371,082	\$ 84,603,984	\$ 35,767,098	42.3%
Short term investments	6,345,393	12,909,621	(6,564,228)	-50.8%
Accounts receivable, net	37,269,439	28,319,514	8,949,925	31.6%
Other current assets	10,144,333	6,822,066	3,322,267	48.7%
Noncurrent Assets:				
Restricted cash and cash equivalents	11,260,364	8,294,456	2,965,908	35.8%
Endowment and other long term investments	31,620,512	35,536,828	(3,916,316)	-11.0%
Capital assets, net	585,213,707	589,067,327	(3,853,620)	-0.7%
Other noncurrent assets	10,531,949	19,240,652	(8,708,703)	-45.3%
Total Assets	\$ 812,756,779	\$ 784,794,448	\$ 27,962,331	3.6%
Deferred Outflows of Resources	\$ 42,347,361	\$ 26,895,163	\$ 15,452,198	57.5%
Total Assets and Deferred Outflows of Resources	\$ 855,104,140	\$ 811,689,611	\$ 43,414,529	5.3%
Current Liabilities	\$ 43,669,229	\$ 43,013,081	\$ 656,148	1.5%
Noncurrent Liabilities	445,570,228	434,295,231	11,274,997	2.6%
Total Liabilities	\$ 489,239,457	\$ 477,308,312	\$ 11,931,145	2.5%
Deferred Inflows of Resources	\$ 6,334,520	\$ 3,899,002	\$ 2,435,518	62.5%
Total Liabilities and Deferred Inflows of Resources	\$ 495,573,977	\$ 481,207,314	\$ 14,366,663	3.0%
Net Position:				
Net invested in capital assets	\$ 417,778,609	\$ 415,997,228	\$ 1,781,381	0.4%
Restricted	51,059,105	45,049,841	6,009,264	13.3%
Unrestricted	(109,307,551)	(130,564,771)	21,257,220	-16.3%
Total Net Position	\$ 359,530,163	\$ 330,482,298	\$ 29,047,865	8.8%





THE UNIVERSITY'S ASSETS

A review of total assets reveals an increase of \$28 million for fiscal year 2021 over the prior fiscal year. The University's cash and cash equivalents include both current and noncurrent balances of \$120 million and \$11 million, respectively, at the end of fiscal year 2021. 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 decreased \$6 million due to the sale of various investments. Accounts receivable increased by \$9 million due to tuition payment policies. Student notes receivable decreased \$5 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 \$585 million at June 30, 2021, compared to \$589 million at June 30, 2020. The Hattiesburg campus completed construction of Southern Station, a multi-use entertainment venue located in Spirit Park. Demolition of the former married student housing complex known as Pinehaven was completed. Envelope repairs and improvements continue on McCain Library. Major renovations to Cook Library, including the new Bower Academic Center located within, and the exterior plaza

area of the Student Union are near completion. Pedestrian pathways are being constructed along three main roadways on or adjacent to campus, and parking accessibility continues to be upgraded and increased. Construction has begun on the Center for Military Veterans, Service Members and Families, which serves to meet the post-secondary education needs of our Armed Forces and their families. At the Gulf Coast Research Laboratory, construction of the Invertebrate Growout facility will begin in the near future and infrastructure improvements to walkways and lighting continue.

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 increased from \$26 million in fiscal year 2020 to \$42 million in fiscal year 2021. The accumulated deferred amount related to debt refunding decreased by \$0.8 million, the deferred outflows related to the pension plan liability increased by \$15 million, and the retroactive OPEB liability was \$2 million for 2020 and \$2.9 million for 2021. 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 increase in noncurrent liabilities of \$11 million is primarily due to an increase in the University's net pension liabilities.

THE UNIVERSITY'S DEFERRED INFLOWS

Deferred inflows increased \$2.4 million from fiscal year 2020 to fiscal year 2021. 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 \$330 million in fiscal year 2020 to \$359 million in fiscal year 2021.

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 2021	Fiscal Year 2020	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and fees, net	\$ 93,905,429	\$ 91,334,103	\$ 2,571,326	2.8%
Grants and contracts	75,211,173	75,157,943	53,230	0.1%
Auxiliary enterprises	25,349,715	33,671,681	(8,321,966)	-24.7%
Other operating revenues	7,080,439	6,565,068	515,371	7.9%
Total Operating Revenues	\$ 201,546,756	\$ 206,728,795	\$ (5,182,039)	-2.5%
Operating Expenses	335,622,333	339,404,456	(3,782,123)	-1.1%
Operating Loss	\$ (134,075,577)	\$ (132,675,659)	\$ (1,399,918)	1.1%
Nonoperating Revenues (Expenses):				
State appropriations	\$ 91,374,285	\$ 85,834,240	\$ 5,540,045	6.5%
Other nonoperating revenue	68,143,904	48,544,550	19,599,354	40.4%
Interest on debt	(5,787,149)	(6,271,584)	484,435	-7.7%
Net Nonoperating Revenues	\$ 153,731,040	\$ 128,107,206	\$ 25,623,834	20.0%
Gain (Loss) Before Other Revenues	\$ 19,655,463	\$ (4,568,454)	\$ 24,223,917	-530.2%
Capital grants and gifts	\$ 1,849,486	\$ 7,785,609	\$ (5,936,123)	-76.2%
Capital appropriations	6,407,653	11,643,160	(5,235,507)	-45.0%
Other additions (deletions)	1,135,263	(51,977)	(1,187,240)	2284.2%
Total Other Revenues	\$ 9,392,402	\$ 19,376,792	\$ (9,984,390)	-51.5%
Increase in Net Position	\$ 29,047,866	\$ 14,808,338	\$ 14,239,528	96.2%
Net Position:				
Net Position at Beginning of the Year	\$ 330,482,297	\$ 314,299,092	\$ 16,183,205	5.1%
Reclass Adjustment	-	-	-	-100.0%
Restate Beginning Net Position	-	199,868	(199,868)	-100.0%
Prior period adjustments	-	1,175,000	(1,175,000)	-100.0%
Net Assets at Beginning of Year, restated	\$ 330,482,297	\$ 315,673,960	\$ 14,808,337	4.7%
Net Position at End of the Year	\$ 359,530,163	\$ 330,482,297	\$ 29,047,866	8.8%

The Statement of Revenues, Expenses and Changes in Net Position presents an increase in net position of \$29 million for fiscal year June 30, 2021. As noted in the statement, the University experienced operating losses of \$134 million and \$133 million in fiscal years 2021 and 2020, 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, 2021, and 2020 were \$201 million and \$207 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 2.8% 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 2021, the University experienced a 0.1% increase in grants and contracts revenues compared to fiscal year 2020. The majority of the increase is due to an increase in private gifts.

The following table details the University's grants and contracts operating revenues for the fiscal years ended June 30, 2021 and 2020:

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Change
Federal Award Sources:				
Department of Education	24,369,686	6,247,143	18,122,544	290.1%
National Science Foundation	4,465,434	4,238,475	226,959	5.4%
Department of Defense	13,004,884	11,733,720	1,271,164	10.8%
NASA	1,960,891	1,419,266	541,625	38.2%
Department of Commerce	15,523,921	17,143,209	(1,619,288)	-9.4%
Department of Health and Human Services	8,755,551	10,263,885	(1,508,335)	-14.7%
Department of Agriculture	1,326,601	1,163,744	162,857	14.0%
Department of Justice	101,833	233,621	(131,788)	-56.4%
Department of Homeland Security	1,144,801	1,634,125	(489,323)	-29.9%
Department of Energy	253,571	809,989	(556,418)	-68.7%
Other	3,375,638	2,897,550	478,088	16.5%
Total Federal Sources	74,282,811	57,784,727	16,498,084	28.6%
State Award Sources:				
Financial Aid	8,286,838	7,790,159	496,679	6.4%
Department of Education	107,482	195,368	(87,886)	-45.0%
Other	2,035,953	2,666,743	(630,790)	-23.7%
Total State Sources	10,430,273	10,652,270	(221,997)	-2.1%
Other Sources	7,594,054	10,390,694	(2,796,639)	-26.9%
Total Grants and Contracts	92,307,138	78,827,691	13,479,447	17.1%

NONOPERATING REVENUES AND EXPENSES

The University's net nonoperating revenues of \$154 million assisted in offsetting the University's operating loss of \$134 million for 2021. The \$26 million increase in net nonoperating revenues is principally due funds received from the CARES Act. Nonoperating revenue of \$30 million was received from Higher Education Emergency Relief Funds (HEERFs.) Of

these funds, \$8.6 million were paid directly to our students to aid with COVID-19 related expenses.

OPERATING EXPENSES

Operating expenses for the year ended June 30, 2021, totaling \$336 million, included \$201 million in compensation and benefits, \$88 million in supplies and other, \$27 million in scholarships, and \$19 million in depreciation.

A comparative summary of the University's expenses for the years ended June 30, 2021 and 2020 is as follows:

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Change
Operating Expenses:				
Compensation and benefits	\$ 201,485,026	\$ 207,758,994	\$ (6,273,968)	-3.0%
Supplies and other	87,651,268	83,981,030	3,670,238	4.4%
Scholarships and fellowships	27,474,435	28,464,154	(989,719)	-3.5%
Depreciation	19,011,604	19,200,278	(188,674)	-1.0%
Total Operating Expenses	\$ 335,622,334	\$ 339,404,456	\$ (3,782,122)	-1.1%

For the year ended June 30, 2021, total operating expenses decreased \$4 million. Compliance with GASB 68 pension reporting requirements resulted in a \$6.4 million adjustment to benefits. This increase was coupled with a \$4.2 million increase in contractual services provided, and a \$1 million decrease 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

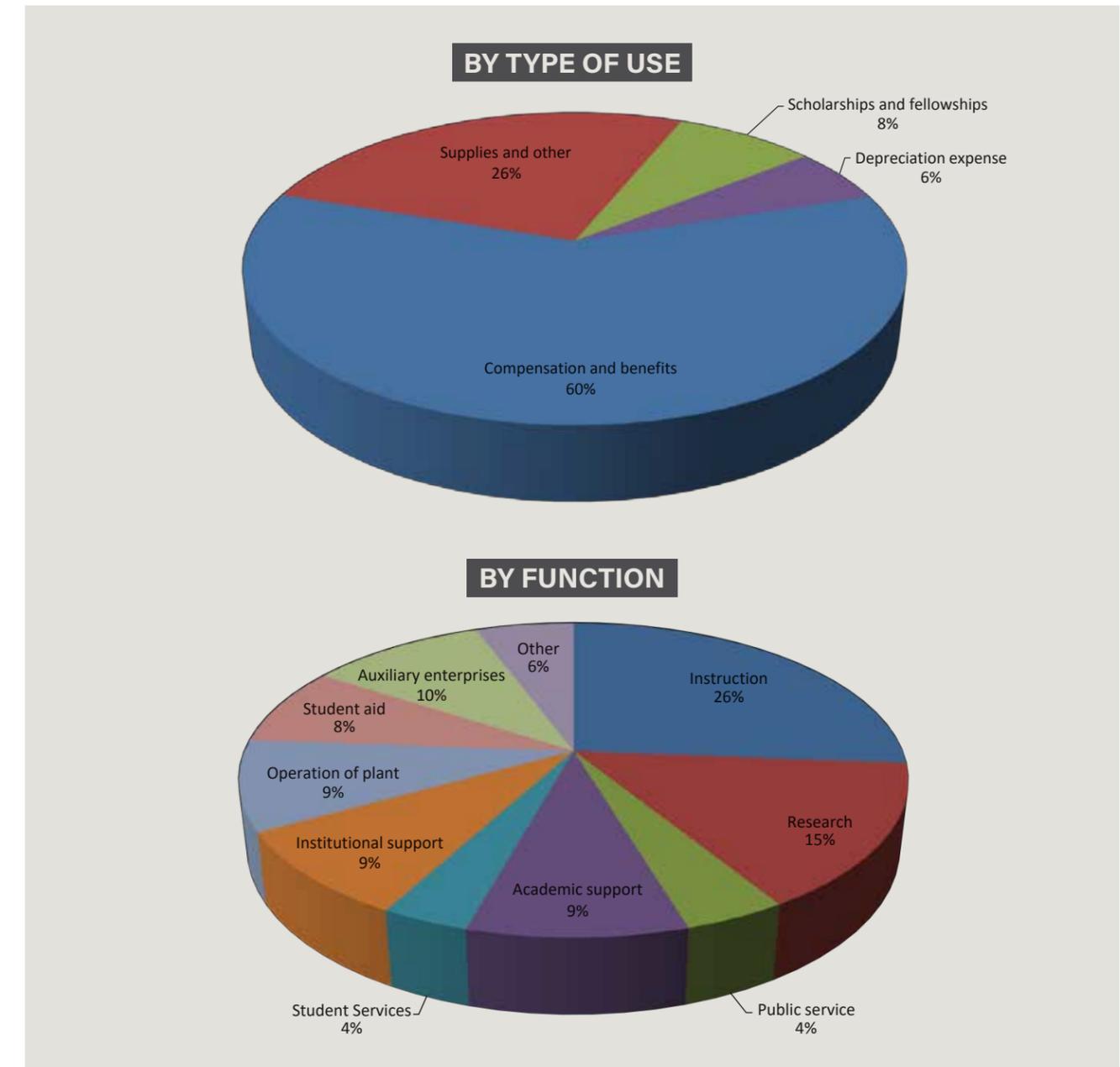
by the National Association of College and University Business Officers (NACUBO). The functional classification of an operating expense is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects 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, 2021 and 2020 are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Expenses:				
Instruction	\$ 87,533,206	\$ 93,996,187	\$ (6,462,981)	-6.9%
Research	50,228,535	56,631,362	(6,402,827)	-11.3%
Public service	13,620,471	16,505,648	(2,885,177)	-17.5%
Academic support	30,466,658	22,615,581	7,851,077	34.7%
Student services	11,962,179	12,188,990	(226,811)	-1.9%
Institutional support	29,678,108	22,353,499	7,324,609	32.8%
Operation of plant	31,445,051	28,291,844	3,153,207	11.1%
Student aid	27,474,435	28,464,154	(989,719)	-3.5%
Auxiliary enterprises	34,202,088	39,156,913	(4,954,825)	-12.7%
Depreciation	19,011,604	19,200,278	(188,674)	-1.0%
Total Operating Expenses	\$ 335,622,334	\$ 339,404,456	\$ (3,782,122)	-1.1%



FY 2021 OPERATING EXPENSES



Instructional expenses continued to represent the largest percentage of total operating expenses and consumed 43% of operating revenues for fiscal year 2021. Research expenditures accounted for 15% of total operating expenses and consumed 25% of operating revenues in fiscal year 2021.

OTHER CHANGES IN NET POSITION

Capital grants and gifts revenue decreased \$6 million largely due to a decrease in federal capital projects and private gifts. State appropriations restricted for capital purposes

decreased \$5 million due to a decrease in Bureau of Buildings project activity and IHL Capital Expense Fund revenue in fiscal year 2021 compared to 2020.

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 2021:

- Completed construction of Southern Station, a multi-use entertainment venue
- Continued major envelope repairs to McCain Library
- Continued major renovations to Cook Library, including the new Bower Academic Center located within
- Began construction of The Center for Military Veterans, Service Members and Families, which serves to meet the post-secondary education needs of our Armed Forces and their families
- Began construction of a Montague Boulevard pedestrian walkway
- Began construction as a participant in the Hardy Street pedestrian pathway in conjunction with the development of the Midtown District
- Began construction of the W. Fourth Street sidewalk, allowing safe access from the W. Fourth Street parking lot to athletic venues on campus
- Constructed additional parking lots and resurfaced and upgraded lighting on existing parking lots

The University remains committed to the growth and improvement of its coastal operations. The Gulf Park campus continues infrastructure improvements to walkways and lighting. The Gulf Coast Research Laboratory continues to rebuild from the destruction caused by Hurricane Katrina in 2005. The campus plans to begin construction of a state-of-the-art Invertebrate Growout Facility in the next fiscal year.

As of June 30, 2021, the University had \$155 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 FLOWS

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Change
Cash and Cash Equivalents Provided (Used) by:				
Operating activities	\$ (110,588,144)	\$ (87,119,505)	\$ 23,468,639	-26.9%
Noncapital financing activities	155,005,907	135,299,120	19,706,787	14.6%
Capital and related financing activities	(19,704,005)	(27,996,375)	8,292,370	-29.6%
Investing activities	14,019,248	24,342,355	(10,323,107)	42.4%
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 38,733,006	\$ 44,525,595	\$ (5,792,589)	-13.0%
Cash and Cash Equivalents - Beginning of the Year	92,898,440	82,441,926	10,456,514	12.7%
Cash and Cash Equivalents - End of the Year	<u>\$ 131,631,446</u>	<u>\$ 126,967,521</u>	<u>\$ 4,663,925</u>	3.7%

Major sources of funds included in operating activities for the year ended June 30, 2021, were net student tuition and fees of \$94 million, grants and contracts of \$75 million, and auxiliary enterprises of \$25 million. Major uses of funds included in operating activities were payments for employees' salaries and benefits of \$194 million, payments to suppliers of \$81 million, and scholarships and loans to students of \$27 million.

Net cash used by operating activities increased by \$23 million in comparison to last year. Cash received from operating grants and contracts and other receipts was lower in FY20 in comparison to FY21. Cash paid to suppliers increased by \$8.7 million. Other contributing factors to the decrease in cash used for operating activities was a decrease in tuition and fees.

Net cash provided by noncapital financing activities increased by \$19.7 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 decreased by \$8 million. Capital appropriations received increased by \$6 million. There was a \$.08 million increase in capital grants and contracts received in 2021 as compared to 2020.

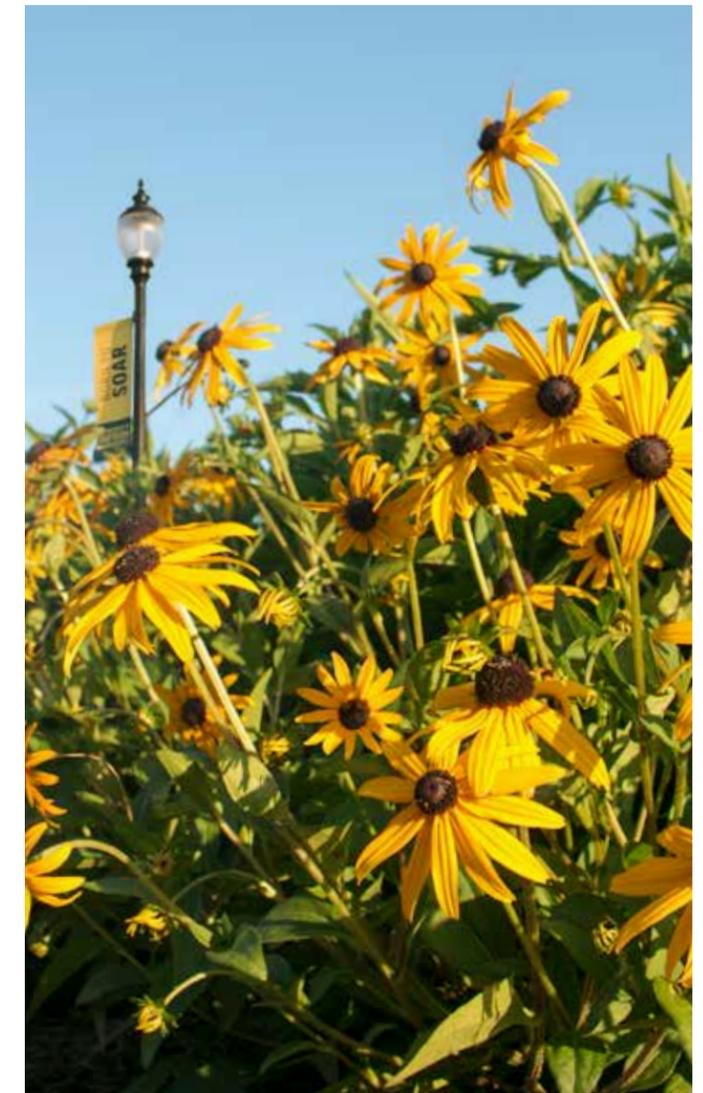
Net cash provided by investing activity decreased by \$10 million in FY21 compared to FY20. Income provided by investments decreased \$39.5 million. This was offset by a decrease in the purchase of investments.

ECONOMIC OUTLOOK

In spite of the many challenges facing the current higher education environment, including a global pandemic that no entity anticipated or planned for, The University of Southern Mississippi continued to make strides in improving our financial position in FY 2021. Tuition and fee revenues generated from increased enrollment and assistance from federal stimulus funds, coupled with prudent management, cost containment and conservative budgeting, helped the University weather the storm and remain dedicated to its mission of teaching, research and service.

USM will likely face more funding obstacles in the future due to the continued uncertainty surrounding the economic impact of the COVID-19 pandemic. Although we are optimistic about the progress we have made, the University 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. The University must have campus facilities that are competitive to support the mission of the institution. Other crucial elements to the University's future will continue to be our relationship with the State of Mississippi, as well as maintaining a diverse source of revenue streams for operations. 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 for the challenging years ahead.

Allyson Easterwood
Vice President for Finance and Administration



A large, detailed bronze sculpture of an eagle is the central focus in the foreground, its wings spread and talons visible. The eagle is positioned on a concrete base. In the background, a well-maintained green lawn leads to a large, multi-story university building with a red-tiled roof and arched windows. The scene is set under a clear blue sky with some trees and a blue metal bench visible in the distance.

Financial Statements

STATEMENTS OF NET POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	2021	2020
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents	\$ 120,371,082	84,603,984
Short term investments	6,345,393	12,909,621
Accounts receivables, net	37,269,439	28,319,514
Student notes receivables, net	4,965,900	1,732,919
Inventories	198,827	244,315
Prepaid expenses	4,979,606	4,844,832
Other current assets		
Total current assets	<u>174,130,247</u>	<u>132,655,185</u>
Noncurrent assets:		
Restricted cash and cash equivalents	11,260,364	8,294,456
Restricted short-term investments		
Endowment investments	10,863,512	9,376,865
Other long term investments	20,757,000	26,159,963
Student notes receivable, net	10,531,949	19,240,652
Beneficial interest in irrevocable trust		
Capital assets, net	585,213,707	589,067,327
Other noncurrent assets		
Total noncurrent assets	<u>638,626,532</u>	<u>652,139,263</u>
Total assets	<u>812,756,779</u>	<u>784,794,448</u>
Deferred outflows of resources	42,347,361	26,895,163
Total assets and deferred outflows of resources	<u>855,104,140</u>	<u>811,689,611</u>
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	22,206,350	24,611,347
Unearned revenues	13,110,332	10,145,196
Accrued leave liabilities - current portion	1,199,330	1,207,065
Long-term liabilities - current portion	7,025,030	7,016,012
Other current liabilities	128,187	33,461
Total current liabilities	<u>43,669,229</u>	<u>43,013,081</u>
Noncurrent liabilities:		
Accrued leave liabilities	8,795,088	8,851,807
Deposits refundable	3,086	3,066
Long-term liabilities	148,106,968	155,131,998
Net pension liability	253,087,895	231,330,127
Net OPEB liability	13,981,862	15,274,063
Other noncurrent liabilities	21,595,329	23,704,170
Total noncurrent liabilities	<u>445,570,228</u>	<u>434,295,231</u>
Total liabilities	<u>489,239,457</u>	<u>477,308,312</u>
Deferred inflows of resources	6,334,520	3,899,002
Total liabilities and deferred inflows of resources	<u>495,573,977</u>	<u>481,207,314</u>
Net Position:		
Net investment in capital assets	417,778,609	415,997,228
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	5,569,090	5,569,090
Research		
Other purposes		
Expendable:		
Scholarships and fellowships	5,868,986	3,470,678
Research		
Capital projects		
Debt service	24,459,699	25,162,671
Loans	5,162,340	5,557,912
Other purposes	9,998,990	5,289,491
Unrestricted	(109,307,551)	(130,564,773)
Total net position	<u>\$ 359,530,163</u>	<u>330,482,297</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	2021	2020
Operating revenues:		
Tuition and fees	\$ 142,386,209	137,720,399
Less scholarship allowances	(47,432,521)	(44,143,998)
Less bad debt expense	(1,048,259)	(2,242,298)
Net tuition and fees	<u>\$ 93,905,429</u>	<u>\$ 91,334,103</u>
Federal appropriations	-	
Federal grants and contracts	53,222,100	53,874,087
State grants and contracts	10,506,861	10,453,123
Nongovernmental grants and contracts	11,482,212	10,830,733
Sales and services of educational departments	892,832	2,263,712
Auxiliary enterprises:		
Student housing	15,553,456	14,687,959
Food services	2,387,223	2,510,398
Bookstore	761,628	697,329
Athletics	6,464,048	13,842,230
Other auxiliary revenues	3,923,075	5,335,961
Less auxiliary enterprise scholarship allowances	(3,739,715)	(3,402,195)
Interest earned on loans to students		
Patient care revenues, net	-	
Other operating revenues, net	6,187,608	4,301,355
Total operating revenues	<u>201,546,757</u>	<u>206,728,795</u>
Operating expenses:		
Salaries and wages	\$ 143,338,493	\$ 145,532,569
Fringe benefits	58,146,533	62,226,425
Travel	2,368,138	5,876,434
Contractual services	57,191,635	52,913,134
Utilities	9,152,571	9,923,267
Scholarships and fellowships	27,474,435	28,464,154
Commodities	18,938,925	15,268,195
Depreciation	19,011,604	19,200,278
Other operating expenses		
Total operating expenses	<u>335,622,334</u>	<u>339,404,456</u>
Operating loss	<u>(134,075,577)</u>	<u>(132,675,661)</u>
Nonoperating revenues (expenses):		
State appropriations	91,374,285	85,834,240
Gifts and grants	64,605,200	45,282,986
Investment income, net of investment expense	3,538,704	3,261,564
Interest expense on capital asset-related debt	(5,787,149)	(6,271,584)
Other nonoperating revenues		
Other nonoperating expenses		
Total nonoperating revenues (expenses), net	<u>153,731,040</u>	<u>128,107,206</u>
Loss before other revenues, expenses, gains and losses	<u>19,655,463</u>	<u>(4,568,455)</u>
Other revenues, expenses, gains and losses:		
Capital grants and gifts	1,849,486	7,785,609
State appropriations restricted for capital purposes	6,407,653	11,643,160
Additions to permanent endowments		
Other additions	1,336,379	543,506
Other deletions	(201,115)	(595,482)
Change in net position	<u>29,047,866</u>	<u>14,808,338</u>
Net position, beginning of the year	330,482,297	314,299,091
Prior Period Adjustment	-	1,374,868
Net position, end of the year	<u>\$ 359,530,163</u>	<u>330,482,297</u>

STATEMENT OF CASH FLOWS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	<u>2021</u>	<u>2020</u>
Operating activities:		
Tuition and fees	\$ 84,955,504	\$ 96,450,797
Grants and contracts	75,211,173	77,877,971
Sales and services of educational departments	892,832	2,263,712
Payments to suppliers	(80,898,255)	(72,111,574)
Payments to employees for salaries and benefits	(194,100,593)	(191,144,430)
Payments for utilities	(9,152,571)	(9,988,652)
Payments for scholarships and fellowships	(27,474,435)	(28,117,736)
Loans Issued to students and employees	115,752	704,182
Collection of loans from students and employees	5,475,722	3,567,561
Auxiliary enterprise charges:		
Student housing	16,010,976	13,238,495
Food services	2,085,015	2,180,928
Bookstore	682,556	598,592
Athletics	2,692,314	9,904,856
Other auxiliary enterprises	3,923,075	5,143,069
Other receipts	6,187,608	2,312,724
Other payments	2,805,183	-
Net cash used by operating activities	<u>\$ (110,588,144)</u>	<u>\$ (87,119,505)</u>
Noncapital financing activities:		
State appropriations	\$ 91,374,285	\$ 83,104,486
Gifts and grants for other than capital purposes	64,605,200	52,322,728
Federal loan program receipts	74,498,647	78,082,821
Federal loan program disbursements	(76,607,489)	(78,152,028)
Other sources	1,336,379	-
Other uses	(201,115)	(58,887)
Net cash provided by noncapital financing activities	<u>\$ 155,005,907</u>	<u>\$ 135,299,120</u>
Capital and related financing activities:		
Proceeds from capital debt	\$ -	\$ -
Cash paid for capital assets	(15,157,984)	(14,200,390)
Capital appropriations received	6,407,653	-
Capital grants and contracts received	1,849,486	781,868
Proceeds from sales of capital assets	-	33,461
Principal paid on capital debt and leases	(7,016,011)	(7,456,061)
Interest paid on capital debt and leases	(5,787,149)	(6,338,530)
Other sources	-	271,647
Other uses	-	(1,088,370)
Net cash used by capital and related financing activities	<u>\$ (19,704,005)</u>	<u>\$ (27,996,375)</u>
Investing activities:		
Proceeds from sales and maturities of investments	\$ 23,225,158	\$ 62,725,426
Interest received on investments	2,614,436	2,565,793
Purchases of investments	(11,820,345)	(40,948,864)
Net cash used by investing activities	<u>\$ 14,019,248</u>	<u>\$ 24,342,355</u>
Net change in cash and cash equivalents	<u>\$ 38,733,006</u>	<u>\$ 44,525,595</u>
Cash and cash equivalents - beginning of year	<u>\$ 92,898,440</u>	<u>\$ 48,372,845</u>
Cash and cash equivalents - end of year	<u>\$ 131,631,446</u>	<u>\$ 92,898,440</u>

STATEMENT OF CASH FLOWS

(CONTINUED)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (134,075,577)	\$ (132,675,661)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation expense	\$ 19,011,604	\$ 19,200,278
Self-insured claims expense	-	-
Provision for uncollectible receivables	1,254,434	-
Other	-	(595,524)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(4,728,637)	1,901,343
Inventories	45,488	25,196
Prepaid Expenses	(134,774)	299,755
Loans to Students and Employees	0	-
Deferred outflow of resources	(12,704,745)	3,793,851
Other Assets	-	-
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	(2,404,997)	6,831,055
Unearned Revenue	2,965,136	(299,754)
Deposits Refundable	20	360
Accrued Leave Liability	(64,454)	607,563
Net pension liability	21,757,768	6,876,458
Net OPEB liability	(1,292,201)	1,229,641
Deferred inflow of resources	(311,935)	(2,633,668)
Other Liabilities	94,726	8,319,602
Total Adjustments	<u>\$ 23,487,433</u>	<u>\$ 45,556,156</u>
Net cash used in operating activities	<u>\$ (110,588,144)</u>	<u>\$ (87,119,505)</u>
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	\$ 120,371,082	\$ 84,603,984
Noncurrent assets - restricted cash and cash equivalents	11,260,364	8,294,456
Cash and cash equivalents, end of year	<u>\$ 131,631,446</u>	<u>\$ 92,898,440</u>
ENTER NON-CASH TRANSACTIONS BELOW: (See GASB #9, Paragraph 37)		
1) State Appropriations Restricted for Capital Purposes	\$ 6,407,653	\$ 11,643,160
2) Unrealized Gain/(Loss) on Fair Value of Investments	-	-
3) Donation of Capital Assets	-	-
	<u>\$ 6,407,653</u>	<u>\$ 11,643,160</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

ASSETS	2021	2020
Cash and Cash Equivalents	\$ 3,993,951	\$ 2,663,185
Accrued Earnings	104,195	110,245
Prepaid Assets and Other Receivables	1,240,378	298,154
Pledges Receivable, Net	3,764,152	6,970,246
Investments	147,947,893	118,205,601
Cash Surrender Value of Life Insurance	2,765,180	2,711,628
Amounts Due from Externally Managed Trusts	14,608,988	9,969,592
Property and Equipment, Net	1,567,480	233,501
Total Assets	\$ 175,992,217	\$ 141,162,152
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,066,276	\$ 589,498
Gift Annuities Payable	68,929	103,222
Total Liabilities	1,135,205	692,720
NET ASSETS		
Without Donor Restrictions	17,595,188	12,553,396
With Donor Restrictions	157,261,824	127,916,036
Total Net Assets	174,857,012	140,469,432
Total Liabilities and Net Assets	\$ 175,992,217	\$ 141,162,152



CONSOLIDATED STATEMENTS OF ACTIVITIES

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

	YEAR ENDED JUNE 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,906,862	\$ 15,655,441	\$ 17,562,303
Net Investment Gain	6,640,602	20,825,670	27,466,272
Gain or Loss on Externally Managed Trusts	-	68,371	68,371
Change in Value of Split Interest Agreements	-	880,965	880,965
Change in Value - Other	1,044	55,481	56,525
Other	45,902	15,885	61,787
Total Revenues, Gains, and Other Support	8,594,410	37,501,813	46,096,223
CHANGES IN RESTRICTIONS			
Change in Restriction by Donors	17,365	(17,365)	-
Net Assets Released from Restrictions	8,138,660	(8,138,660)	-
Total Changes in Restrictions	8,156,025	(8,156,025)	-
EXPENSES			
Program Services:			
Contributions and Support for The University of Southern Mississippi	8,686,568	-	8,686,568
Supporting Services:			
General and Administrative	1,811,601	-	1,811,601
Fundraising	1,210,474	-	1,210,474
Total Supporting Services	3,022,075	-	3,022,075
Total Expenses	11,708,643	-	11,708,643
CHANGE IN NET ASSETS	5,041,792	29,345,788	34,387,580
Net Assets - Beginning of Year	12,553,396	127,916,036	140,469,432
NET ASSETS - END OF YEAR	\$ 17,595,188	\$ 157,261,824	\$ 174,857,012
YEAR 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	\$ 12,553,396	\$ 127,916,036	\$ 140,469,432

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

YEAR ENDED JUNE 30, 2021				
	Program Services	General and Administrative	Fundraising	2021 Total
Grants and Other Assistance	\$ 7,466,479	\$ -	\$ -	\$ 7,466,479
Salaries and Wages	-	910,049	928,946	1,838,995
Legal Fees	-	26,335	-	26,335
Accounting Fees	-	38,529	-	38,529
Professional Fees and Services	509,616	34,308	118,656	662,580
Advertising and Promotion	124,263	81,726	27,433	233,422
Office Expenses	70,161	40,776	17,259	128,196
Information Technology	4,266	53,335	52,629	110,230
Occupancy	10,000	120,980	-	130,980
Travel	39,828	3,908	4,067	47,803
Meetings, Activities and Receptions	52,495	10,904	200	63,599
Depreciation	19,164	33,302	-	52,466
Insurance	7,361	40,414	1,453	49,228
Capital Outlay	305,170	13,709	4,007	322,886
Dues and Subscriptions	28,907	37,402	49,403	115,712
Meals and Entertainment	28,785	5,788	2,869	37,442
Training and Development	20,073	7,862	3,552	31,487
Bad Debt Expense	-	352,274	-	352,274
Total Expenses	\$ 8,686,568	\$ 1,811,601	\$ 1,210,474	\$ 11,708,643

YEAR ENDED JUNE 30, 2020				
	Program Services	General and Administrative	Fundraising	2020 Total
Grants and Other Assistance	\$ 6,774,688	\$ -	\$ -	\$ 6,774,688
Salaries and Wages	-	1,043,708	830,230	1,873,938
Legal Fees	-	31,142	-	31,142
Accounting Fees	-	44,744	-	44,744
Professional Fees and Services	442,149	40,974	356,843	839,966
Advertising and Promotion	110,778	46,556	26,031	183,365
Office Expenses	39,424	39,160	15,809	94,393
Information Technology	7,676	56,814	56,832	121,322
Occupancy	-	120,583	-	120,583
Travel	122,199	11,014	59,335	192,548
Meetings, Activities and Receptions	224,145	95,366	33,119	352,630
Depreciation	19,164	33,446	-	52,610
Insurance	15,449	18,331	1,924	35,704
Capital Outlay	465,549	12,260	-	477,809
Dues and Subscriptions	45,167	43,745	76,920	165,832
Meals and Entertainment	61,301	3,062	14,965	79,328
Training and Development	22,357	2,256	14,284	38,897
Bad Debt Expense	-	58,600	-	58,600
Total Expenses	\$ 8,350,046	\$ 1,701,761	\$ 1,486,292	\$ 11,538,099

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

	JUNE 30, 2021 AND 2020	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 34,387,580	\$ 1,299,635
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	52,466	52,610
Noncash Contributions of Investments	(93,030)	-
Realized and Unrealized Loss (Gain) on Investments, Net	(25,896,989)	374,663
Gain on Disposal of Furniture and Equipment	(2,151)	-
Receipts of Restricted Contributions to be Held in Perpetuity	(8,466,585)	(2,208,353)
Restricted Dividends and Interest to be Held in Perpetuity	(3,750)	(267,260)
Change in Cash Surrender Value of Life Insurance	(53,552)	(60,172)
Change in Amounts Due from Externally Managed Trusts	(4,639,396)	(2,024,692)
Change in Gift Annuities	(43,939)	(103,313)
Present Value Adjustments in Annuities	12,776	21,794
Changes in Operating Assets and Liabilities:		
Accrued Earnings	6,050	(548)
Prepaid Assets and Other Receivables	(942,224)	150,422
Pledges Receivable, Net	3,206,094	1,901,630
Accounts Payable and Accrued Expenses	476,778	(85,925)
Net Cash Used by Operating Activities	(1,999,872)	(949,509)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	7,500	-
Purchases of Property and Equipment	(1,391,794)	-
Purchases of Investments	(30,314,101)	(12,226,326)
Proceeds from Sales and Maturities of Investments	26,583,632	10,730,657
Net Cash Used by Investing Activities	(5,114,763)	(1,495,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of Restricted Contributions to be Held in Perpetuity	8,466,585	2,208,353
Restricted Dividends and Interest to be Held in Perpetuity	3,750	267,260
Annuity Payments	(24,934)	(42,484)
Net Cash Provided by Financing Activities	8,445,401	2,433,129
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,330,766	(12,049)
Cash and Cash Equivalents - Beginning of Year	2,663,185	2,675,234
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,993,951	\$ 2,663,185
NONCASH ACTIVITIES		
Property and Equipment Additions Included in Accounts Payable and Accrued Expenses	\$ 307,798	\$ -

A field of vibrant yellow Black-eyed Susans in full bloom, with dark brown centers. The flowers are in sharp focus in the foreground, while the background is softly blurred, showing a large, light-colored building with a central tower or steeple under a clear blue sky. The overall scene is bright and sunny, suggesting a clear day.

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, 2021, the Foundation provided \$8.7 million of support for 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, 2021 and 2020:

	2021	2020
Investment Strategy:		
Fixed Income:		
U.S. Government securities	1,809,211	1,292,935
Corporate bonds	3,742,063	3,052,100
Mutual funds	45,351,647	44,191,350
Other fixed income securities	1,042,414	1,856,205
Total fixed income	<u>51,945,335</u>	<u>50,392,590</u>
Equities:		
Mutual and common stock funds	66,296,104	49,257,498
Total equities	<u>66,296,104</u>	<u>49,257,498</u>
Alternative investments		
Hedge funds	21,807,408	12,553,972
Real estate investment funds	4,699,935	4,236,575
Private equity funds	2,964,964	1,492,076
Total alternative investments	<u>29,472,307</u>	<u>18,282,623</u>
Cash and Cash Equivalents	182,615	199,358
Investments held at cost	51,532	73,532
Total investments	<u>147,947,893</u>	<u>118,205,601</u>

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest (net of expenses of \$699,304)	\$ 1,947,065	\$ (377,782)	\$ 1,569,283
Realized gains, net	933,413	4,049,401	4,982,814
Unrealized gains, net	3,760,124	17,154,051	20,914,175
Total	<u>\$ 6,640,602</u>	<u>\$ 20,825,670</u>	<u>\$ 27,466,272</u>
	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, 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 non-operating 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.

In FY21, the University converted its allowance calculations on student accounts receivable from the Direct Write-Off Method to the Allowance Method to bring its statements in line with its sister institutions.

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 noncurrent 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 \$21.6 million as of June 30, 2021.

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, 2021. Examples of non-operating 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 five 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, 2021, the University had unclaimed property funds totaling \$86,097.68.

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 presents the fair value of investments by type at June 30, 2021 and 2020:

Statement of Net Position Classification	June 30, 2021 Fair Value	June 30, 2020 Fair Value
Short term investments - current assets	\$ 6,345,393	\$ 12,909,621
Noncurrent assets:		
Endowment investments	10,863,512	9,376,865
Other long term investments	20,757,000	26,159,963
Total	\$ 37,965,905	\$ 48,446,449

The following table presents the fair value of investments by type at June 30, 2021 and 2020:

<u>Investment Type</u>	<u>June 30, 2021 Fair Value</u>	<u>June 30, 2020 Fair Value</u>
U.S. government agency obligations	\$ 7,515,764	\$ 19,254,714
Collateralized mortgage obligations	12,274,200	12,925,178
Mortgage backed securities	-	-
Asset backed securities	2,034	44,923
U.S. Treasury obligations	6,271,265	5,189,335
Certificate of deposit	320,498	870,084
Domestic equity mutual funds	654,022	576,445
International equity mutual funds	-	156,595
Fixed income mutual funds	-	268,127
Money market funds	409,048	350,134
Domestic equity securities	6,235,504	5,012,317
Global equity securities	569,037	121,766
Municipal bonds	2,114,738	2,100,582
Corporate bonds	1,599,795	1,576,249
Total	\$ 37,965,905	\$ 48,446,449

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, 2021.

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, 2021 and 2020, the University had the following investments subject to interest rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>June 30, 2021</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	\$ 7,515,765	\$ 2,937,333	\$ 4,319,979	\$ 20,316	\$ 238,137
Collateralized mortgage obligations	12,274,200	-	-	-	12,274,200
Asset backed securities	2,034	-	2,034	-	-
U.S. Treasury obligations	6,271,265	1,246,609	4,671,908	268,243	84,505
Certificates of deposit - negotiable	320,498	320,498	-	-	-
Fixed income mutual funds	-	-	-	-	-
Municipal bonds	2,114,738	2,114,738	-	-	-
Corporate bonds	1,599,795	274,064	545,881	682,112	97,738
Total	\$ 30,098,295	\$ 6,893,242	\$ 9,539,802	\$ 970,671	\$ 12,694,580
		<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	\$ 41,683,508	\$ 12,742,472	\$ 14,343,428	\$ 1,121,614	\$ 13,475,994

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 & Pools or Moody's.

As of June 30, 2021 and 2020, the University had the following investments subject to credit risk:

Rating	June 30, 2021 Fair Value	June 30, 2020 Fair Value
AAA	\$ 1,823,943	\$ 13,263,268
AA	143,430	307,957
A	555,319	820,728
BA	-	-
BAA	128,832	101,041
BBB	129,824	-
Rating not available	21,045,681	22,001,180
Total	\$ 23,827,029	\$ 36,494,174

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, 2021:

Issuer	June 30, 2021	
	Fair Value	Percentage
Federal National Mortgage Association	\$ 2,247,294	5.9%
Federal Home Loan Bank	2,555,586	6.7%
Federal Home Loan Mortgage Corporation	9,234,404	24.3%
Issuer	June 30, 2020	
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%

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 \$731,801 and \$121,766 at June 30, 2021 and 2020, respectively, and investments in international equity mutual funds of \$0 and \$156,595 at June 30, 2021 and 2020, 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, 2021 and 2020.

	2021			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
U.S. Treasury securities	\$ 6,271,265	\$ -	\$ -	\$ 6,271,265
Fixed income mutual funds	-	-	-	-
U.S. Government agency securities	-	7,515,764	-	7,515,764
Mortgage obligations and asset backed securities	-	12,276,234	-	12,276,234
Corporate bonds and notes	-	1,599,795	-	1,599,795
Certificates of deposit	-	320,498	-	320,498
Municipal bonds	-	2,114,738	-	2,114,738
Money market funds	-	409,048	-	409,048
Repurchase agreements	-	-	-	-
Total fixed income investments	\$ 6,271,265	\$ 24,236,077	\$ -	\$ 30,507,342
Equity securities:				
Domestic equity securities	\$ 6,235,504	\$ -	\$ -	\$ 6,235,504
Equity mutual funds	654,022	-	-	654,022
Global equity securities	-	569,037	-	569,037
International equity	-	-	-	-
Total equity securities	\$ 6,889,526	\$ 569,037	\$ -	\$ 7,458,563
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	-	-	-	-
Total investments measured at NAV				\$ -
Total investments measured at fair value				\$ 37,965,905
	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	\$ 5,457,462	\$ 37,121,864	\$ -	\$ 42,579,326
Equity securities:				
Domestic equity securities	\$ 5,012,317	\$ -	\$ -	\$ 5,012,317
Equity mutual funds	733,040	-	-	733,040
International equity	-	-	-	-
Total equity securities	\$ 5,745,357	\$ -	\$ -	\$ 5,745,357
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				\$ 121,766
Total investments measured at fair value				\$ 48,446,449

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, 2021 and 2020:

	June 30, 2021	June 30, 2020
Student tuition	\$ 317,418	\$ 1,180,618
Scholarships	1,011,754	853,076
Auxiliary enterprises and other operating activities	8,566,591	8,925,844
Federal, state and private grants and contracts	29,576,224	17,901,176
State appropriations	1,158,450	3,845,326
Accrued interest	80,965	134,829
Other	585,602	760,645
Total Accounts Receivable	\$ 41,297,004	\$ 33,601,514
Less allowance for doubtful accounts	(4,027,565)	(5,282,000)
Accounts Receivable, Net	\$ 37,269,439	\$ 28,319,514



NOTE 5 NOTES RECEIVABLE FROM STUDENTS

Notes receivable from students are payable in installments over a period of up to 10 years, commencing 12 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, 2021 and 2020:

	Interest Rates	2021		
		June 30, 2021	Current Portion	Noncurrent Portion
Perkins student loans	3% to 5%	\$ 18,050,361	\$ 4,949,921	\$ 13,100,440
Institutional loans	0% to 3%	110,594	4,888	105,706
Nursing faculty loans	3%	936,894	157,279	779,615
Total Notes Receivable		\$ 19,097,849	\$ 5,112,088	\$ 13,985,761
Less allowance for doubtful accounts		(3,600,000)	(146,188)	(3,453,812)
Notes Receivable, Net		\$ 15,497,849	\$ 4,965,900	\$ 10,531,949
	Interest Rates	2020		
		June 30, 2020	Current Portion	Noncurrent Portion
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%	1,145,279	20,664	1,124,615
Total Notes Receivable		\$ 24,573,572	\$ 3,365,116	\$ 21,208,456
Less allowance for doubtful accounts		(3,600,000)	(1,632,197)	(1,967,803)
Notes Receivable, Net		\$ 20,973,572	\$ 1,732,919	\$ 19,240,653

NOTE 6 CAPITAL ASSETS

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

	2021			
	July 1, 2020	Additions	Deletions	June 30, 2021
Nondepreciable Capital Assets:				
Land	\$ 18,505,818	\$ 2,921,232	\$ -	\$ 21,427,050
Construction in progress	10,271,068	8,334,031	1,987,992	16,617,107
Total Nondepreciable Capital Assets	\$ 28,776,886	\$ 11,255,263	\$ 1,987,992	\$ 38,044,157
Depreciable Capital Assets:				
Improvements other than buildings	\$ 62,439,434	\$ -	\$ -	\$ 62,439,434
Buildings	662,522,434	1,230,790	1,479,233	662,273,991
Equipment	91,357,598	6,746,068	3,463,102	94,640,563
Libraries	65,999,537	95,547	394,680	65,700,404
Total Cost of Depreciable Capital Assets	\$ 882,319,003	\$ 8,072,405	\$ 5,337,015	\$ 885,054,392
Total Cost of Capital Assets	\$ 911,095,889	\$ 19,327,668	\$ 7,325,007	\$ 923,098,549
Less Accumulated Depreciation for:				
Improvements other than buildings	\$ 23,400,312	\$ 2,264,102	\$ -	\$ 25,664,414
Buildings	169,184,843	12,632,709		181,817,553
Equipment	64,213,255	3,878,383	2,760,643	65,330,995
Libraries	65,230,152	236,409	394,680	65,071,881
Total Accumulated Depreciation	\$ 322,028,562	\$ 19,011,604	\$ 3,155,323	\$ 337,884,843
Capital Assets, Net	\$ 589,067,327	\$ 316,064	\$ 4,169,684	\$ 585,213,707
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
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
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

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:

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 15 years	1 - 10%	5,000
Library materials	10 years	0%	0

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Payable to vendors and contractors	\$ 9,253,914	\$ 13,453,736
Accrued salaries, wages and employee withholdings	8,972,072	7,840,970
Accrued interest	2,082,950	2,174,340
Other	1,897,414	1,142,301
Total Accounts Payable and Accrued Liabilities	\$ 22,206,350	\$ 24,611,347

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, 2021 and 2020:

	June 30, 2021	June 30, 2020
Tuition and fees	\$ 7,248,987	\$ 6,405,370
Athletics ticket sales	861,723	744,032
Federal, state and private grants and contracts	4,634,797	2,868,702
Auxiliary room and board	124,414	8,632
Other	240,411	118,460
Total Unearned Revenues	\$ 13,110,332	\$ 10,145,196

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 of 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, 2021 is listed in the following schedules. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.



Year ended June 30, 2021

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (Fiscal Year)	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonded Debt								
SMEBC Series 2009	\$ 49,900,000	2.75 - 5.375%	2020	\$ -	\$ -	\$ -	\$ -	\$ -
SMEBC Series 2013	51,875,000	2.00 - 5.00%	2044	7,735,000	-	470,000	7,265,000	560,000
SMEBC Series 2015A	38,600,000	2.00 - 5.00%	2034	33,995,000	-	1,495,000	32,500,000	1,630,000
SMEBC Series 2015B	16,690,000	0.50 - 3.25%	2027	7,475,000	-	2,300,000	5,175,000	1,945,000
SMEBC Series 2016	58,870,000	2.00 - 5.00%	2040	57,530,000	-	1,200,000	56,330,000	1,380,000
SMEBC Series 2017	44,005,000	2.00 - 5.00%	2043	43,075,000	-	170,000	42,905,000	175,000
Unamortized Premium				12,338,010	-	1,381,012	10,956,998	1,335,030
Total Bonded Debt				\$ 162,148,010	\$ -	\$ 7,016,012	\$ 155,131,998	\$ 7,025,030
Other Long Term Liabilities								
Accrued leave liabilities	\$ 10,058,872			\$ 10,058,872	\$ -	\$ 64,454	\$ 9,994,418	\$ 1,199,330
Net pension liability	231,330,127			231,330,127	21,757,768	-	253,087,895	-
Net OPEB liability	15,274,063			15,274,063	-	1,292,201	13,981,862	-
Deposits refundable	3,066			3,066	20	-	3,086	-
Federal Loan Fund Repayment Contingency	23,704,170			23,704,170	-	2,108,842	21,595,328	-
Total Other Liabilities				\$ 280,370,298	\$ 21,757,788	\$ 3,465,497	\$ 298,662,589	\$ 1,199,330
Total				\$ 442,518,308	\$ 21,757,788	\$ 10,481,509	\$ 453,794,587	\$ 8,224,360
Due within one year							(8,224,360)	
Total Noncurrent Liabilities							\$ 445,570,227	

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (Fiscal Year)	Year ended June 30, 2020			Due Within One Year
				Beginning Balance	Additions	Deletions	
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
SMEBC Series 2015A	38,600,000	2.00 - 5.00%	2034	35,390,000	-	1,395,000	33,995,000
SMEBC Series 2015B	16,690,000	0.50 - 3.25%	2034	9,735,000	-	2,260,000	7,475,000
SMEBC Series 2016	58,870,000	2.00 - 5.00%	2040	57,880,000	-	350,000	57,530,000
SMEBC Series 2017	44,005,000	2.00 - 5.00%	2043	43,240,000	-	165,000	43,075,000
Unamortized Premium			Original	Additions	Deletions	June 30, 2020	Due Within One Year
SMEBC Series 2009							
SMEBC Series 2013A							
SMEBC Series 2013B- initial issuance			81,700	42,021	28,177	\$ 13,844	-
SMEBC Series 2013B- refunding			4,289,586	2,754,334	400,992	2,353,342	-
SMEBC Series 2015A			-	1	-	1	-
SMEBC Series 2015B			11,923,434	9,457,791	846,100	8,611,691	-
SMEBC Series 2016			1,577,817	1,459,924	100,793	1,359,131	-
SMEBC Series 2017							
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 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, 2021:

Fiscal Year	Bonded Debt	Capital Leases	Notes Payable	Interest	Total
2022	7,025,030	-	-	6,221,251	13,246,281
2023	6,097,947	-	-	5,997,599	12,095,546
2024	6,514,927	-	-	5,774,466	12,289,393
2025	6,937,129	-	-	5,538,026	12,475,155
2026	7,304,230	-	-	5,278,009	12,582,239
2027 - 2031	42,747,162	-	-	21,701,000	64,448,162
2032 - 2036	46,336,352	-	-	11,633,150	57,969,502
2037 - 2041	23,460,764	-	-	3,908,788	27,369,552
2042 - 2046	8,708,457	-	-	485,350	9,193,807
Total	\$ 155,131,998	\$ -	\$ -	\$ 66,537,639	\$ 221,669,637

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:

Fiscal Year	Amount
2022	691,630
2023	649,744
2024	606,849
2025	307,112
2026	307,112
Total Minimum Payments Required	\$ 2,562,447

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, 2021 and 2020, was \$1,566,496 and \$1,637,741, respectively.

NOTE 11 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows for the years ended June 30, 2021 and 2020, respectively:

Functional Classification	2021								
	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 59,876,792	\$ 21,857,786	\$ 116,402	\$ 3,338,121	\$ 1,183	\$ -	\$ 2,342,922	\$ -	\$ 87,533,206
Research	20,628,478	8,991,137	177,173	16,357,773	374,526	-	3,699,447	-	50,228,535
Public service	7,500,016	2,191,919	103,464	3,072,533	3,057	-	749,482	-	13,620,471
Academic support	12,502,154	4,019,853	32,399	8,659,474	159	-	5,252,618	-	30,466,658
Student services	7,101,387	2,335,940	35,856	1,516,657	-	-	972,340	-	11,962,179
Institutional support	13,379,965	10,947,604	12,061	4,612,509	17,135	-	708,835	-	29,678,108
Operation of plant	7,452,636	3,201,874	11,514	13,301,895	5,538,044	-	1,939,088	-	31,445,051
Student aid	-	-	-	-	-	27,474,435	-	-	27,474,435
Auxiliary enterprises	14,897,064	4,600,422	1,879,268	6,332,673	3,218,467	-	3,274,194	-	34,202,088
Depreciation	-	-	-	-	-	-	-	19,011,604	19,011,604
Total Operating Expenses	\$ 143,338,493	\$ 58,146,534	\$ 2,368,138	\$ 57,191,635	\$ 9,152,571	\$ 27,474,435	\$ 18,938,925	\$ 19,011,604	\$ 335,622,334

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	1,863,240	10,090	-	999,711	-	22,353,499
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	\$ 52,913,134	\$ 9,923,267	\$ 28,464,154	\$ 15,268,195	\$ 19,200,278	\$ 339,404,456

Note: IDC is subtracted from contractual services by function

NOTE 12 CONSTRUCTION COMMITMENTS AND FINANCING

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

Projects	2021				
	Total Costs	Remaining Estimated Costs to Complete	Funded by Federal Sources	Funded by State Sources	Institutional Funds
GP Student Resource Center	\$ 212,172	\$ -	\$ -	\$ -	\$ -
McCain Library Envelope Repairs	2,097,067	409,612	-	409,612	-
MDOT Montague Pedestrian Pathway	844,700	789,127	-	631,302	157,825
Invertebrate Growout II Design	10,000,000	9,477,934	7,000,000	-	2,477,934
Union Plaza Renovation	2,400,000	473,882	-	-	473,882
MDOT Hardy St. Pedestrian Pathway	750,000	694,278	-	555,422	138,856
Gulf Park Drive Sidewalk & Lighting	320,852	87,879	-	70,303	17,576
North Campus Gateway	185,000	163,020	-	-	163,020
Center for Military Veterans	86,306	49,000	-	-	49,000
Cook Library	11,085,134	1,021,276	-	1,021,276	-
Esports Arena	1,000,000	993,200	-	-	993,200
President's Home Repairs	650,000	588,594	-	-	588,594
Montague Parking Improvements	2,750,000	2,167,898	-	2,167,898	-
N35th Avenue Parking Improvements	680,000	210,784	-	210,784	-
Montague Roadway Extension	950,000	629,534	-	629,534	-
Preplan Criminal Justice Renovations	7,788,125	7,717,718	-	7,717,718	-
4th Street Sidewalk	620,000	618,510	-	618,510	-
Science Bldg Infiltration Repairs	1,904,891	1,775,260	-	1,775,260	-
Total	\$ 44,324,247	\$ 27,867,506	\$ 7,000,000	\$ 15,807,619	\$ 5,059,887

Projects	2020				
	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	-	578,000	119,750
Gulf Park Drive Sidewalk & Lighting	320,852	297,852	-	231,400	66,452
North Campus Gateway	150,000	144,945	-	-	144,945
Center for Military Veterans	2,000,000	1,988,152	-	-	1,988,152
GCRL Director's House	97,505	33,000	-	-	33,000
Cook Library	12,132,980	6,279,180	-	6,279,180	-
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, 2021 and 2020, that is available for authorization for expenditure is \$5,294,422 and \$3,807,775,

respectively. This amount is included in the Statement of Net Position as endowment investments.

NOTE 14 EMPLOYEE BENEFITS - PENSION PLANS

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

Plan Type	Plan Name
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined 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, 2020 for fiscal year 2021 and June 30, 2019 for fiscal year 2020.

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

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

(A) 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

A stand-alone audited financial report is issued for the Plans and is available at pers.ms.gov.

DISCLOSURES UNDER GASB STATEMENT NO. 68

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

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 for the years ended June 30, 2021 and 2020 was 17.40% for each year of annual payroll. Contributions from the University are recognized when legally due based on statutory requirements.

Employer Contributions

The University's contributions to PERS for the years ended June 30, 2021 and 2020 were \$15.0 million and \$15.1 million, respectively. The University's proportionate share was calculated on the basis of historical contributions. Employer allocation percentages are based on the ratio of each employer's actual contribution to the Plan's total actual contributions.

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

	Proportionate share of contributions	Allocation percentage of proportionate share of collective pension amount	Change in proportionate share of collective pension amount
PERS defined benefit plan:			
2021	\$ 15,147,280	1.31%	-0.01%
2020	13,488,454	1.31%	-0.03%

Net Pension Liability

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

	Proportionate share of net pension liability	Proportion of net pension liability
PERS defined benefit plan:		
2021	\$ 253,087,895	1.31%
2020	231,330,127	1.31%

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

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or

demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. For the years ended June 30, 2021 and 2020, the remaining service life

was 3.66 and 3.76 years, respectively. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources. The deferred outflow of resources reported by an employer should include contributions made by the employer during its fiscal year that will be reflected in the net pension liability in the next measurement period.

The University's proportionate share of the collective pension expense for the years ended June 30, 2021 and

2020 is equal to the collective pension expense multiplied by the employer's allocation percentage, or \$24.0 million and \$22.3 million, respectively. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows; if they will increase pension expense, they are labeled deferred outflows. The University's total pension expense at June 30, 2021 and 2020 was \$23.0 million and \$22.1 million, respectively.

The table below provides a summary of the deferred outflows and inflows of resources related to pensions:

2021								
Deferred outflows					Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investment	Total deferred outflows of resources	Changes in proportion and differences between employer contributions and proportionate share of contributions	Net difference between projected and actual investment earnings on pension plan investment	Total deferred inflows of resources
\$ 2,196,833	1,415,782	—	14,836,009	10,395,882	28,844,506	3,198,517		3,198,517

Contributions subsequent to the measurement date of \$14.8 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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	Differences between expected and actual experience	Changes in proportion and differences between employer contributions and proportionate share of contributions	Net difference between projected and actual investment earnings on pension plan investment	Total deferred inflows of resources
\$ 136,849	2,267,978	—	13,777,396	16,182,223	249,004	2,747,453	2,530,868	5,527,325

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

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

Deferred outflows of resources Year Ended June 30					
	2022	2023	2024	2025	Total
\$	894,575	4,835,029	4,929,001	3,349,892	14,008,497
Deferred inflows of resources Year Ended June 30					
	2022	2023	2024	2025	Total
\$	1,407,328	1,548,914	242,275	—	3,198,517

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 years ended June 30, 2021 and 2020:

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

Mortality

Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65

scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation)

are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset class	Year ended June 30, 2021		Year ended June 30, 2020	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Domestic Equity	27.00 %	4.90 %	27.00 %	4.90 %
International equity	22.00	4.75	22.00	4.75
Global Equity	12.00	5.00	12.00	5.00
Debt Securities	20.00	0.50	20.00	1.50
Real Estate	10.00	4.00	10.00	4.00
Private equity	8.00	6.25	8.00	6.25
Cash Equivalents	1.00	-	1.00	0.25
	100.00		100.00	

Discount Rate

For the years ended June 30, 2021 and 2020, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%) for the years ended June 30,

2021 and 2020. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability of the cost-sharing plan for 2021 and 2020, calculated using the discount rate of 7.75%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of net pension liability:			
2021	\$ 327,591,181	\$ 253,087,895	\$ 191,592,748
2020	304,091,467	231,330,127	171,272,174

(B) PERS DEFINED CONTRIBUTION PLAN, THE OPTIONAL RETIREMENT PLAN

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning teaching and administrative faculty in Mississippi. This alternative plan is structured to be portable and transferable to accommodate teaching and administrative faculty who move from one state to another throughout their careers. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees, and in the event of death, the ORP provides funds for their beneficiaries through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the

University are identical to that of the PERS defined benefit plan. An employee is automatically a member of PERS unless the employee elects ORP within 30 days of initial employment in an ORP-eligible position. Once made, the decision is irrevocable.

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The University's contributions to the ORP for the years ended June 30, 2021 and 2020 were \$7,162,052 and \$7,095,169, respectively, which equaled its required contribution for the period.

NOTE 15 POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

PLAN DESCRIPTION

In addition to providing pension benefits, the University provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees' Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan was established

by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan.

The 14-member board is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner

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

MEMBERSHIP AND BENEFITS PROVIDED

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, the Plan is considered a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between claims cost and premiums received for retirees.

CONTRIBUTIONS

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

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

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

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

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

At June 30, 2020 and 2019, the Plan provided health coverage to 320 and 321 employer units, respectively.

Disclosures Under GASB Statement No. 75

The disclosures that follow for fiscal years 2021 and 2020 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2020). For fiscal year 2021, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2020. For fiscal year 2020, the measurement date for the State and School Employees' Life and Health Insurance Plan was June 30, 2019. The University is presenting net OPEB liability as of June 30, 2020 and 2019 for the fiscal years 2021 and 2020 financials, respectively.

Proportionate Share Allocation Methodology

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

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

At June 30, 2021 and 2020, the University reported a liability of \$14.0 million and \$15.3 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2021, the NOL was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2021 and 2020, the University's proportion was 1.80%.

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$280,084 and \$846,882, respectively.

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

2021									
Deferred outflows					Deferred inflows				
Differences between expected and actual experience	Net difference between projected and actual earnings on OPEB Plan investments	Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes 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
\$ 17,823	449	2,170,814	249,246	464,176	2,902,508	590,854	2,433,218	111,931	3,136,003

\$464,176 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, 2022.

2020									
Deferred outflows					Deferred inflows				
Differences between expected and actual experience	Net difference between projected and actual 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

\$557,594 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date was recognized as a reduction of the NOL in the year ended June 30, 2021.

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2020 and 2019 measurement periods was 6.0 years and 6.4 years, respectively. Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on

their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2020 and 2019 measurement periods was 6.0 years and 6.4 years, respectively. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

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						
	2022	2023	2024	2025	2026	Total
\$	(167,715)	(167,715)	(144,773)	(70,600)	(146,868)	(697,671)

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, 2021 and 2020:

	2021	2020
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2020	June 30, 2019
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	2.75 %	2.75 %
Long-term expected rate of return	4.50 %	3.50 %
Discount rate	2.19 %	3.50 %
Projected cash flows	N/A	N/A
Projected salary increases	3.00% - 18.25%	3.00% - 18.25%
Healthcare cost trend rates	7.00% decreasing to 4.50% by 2030	7.00% 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, 2021 and 2020 the discount rates used to measure the total OPEB liability were 2.19% and 3.50%, respectively. The discount rate is based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return

At June 30, 2021 and 2020, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50% and 3.50%, respectively.



Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the NOL for 2021 and 2020, calculated using the discount rate of 2.19% and 3.50%, 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
	(1.19%)	discount rate (2.19%)	(3.19%)
University of Southern Mississippi proportionate share of net OPEB liability 2021	\$ 15,450,912	\$ 13,981,862	\$ 12,721,818
	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

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 2021	\$ 12,910,109	\$ 13,981,862	\$ 15,196,108
2020	14,153,773	15,274,063	16,543,162

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

The institution distributed \$78,178,802 and \$78,152,028 for the years ended June 30, 2021 and 2020, respectively, for student loans through the U.S. Department of Education lending

programs. These distributions and their related funding sources are included as 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:

	2021	2020
Total Current Assets	\$ 7,025,030	\$ 7,016,012
Total Noncurrent Assets	148,106,968	155,131,997
Total Assets	\$ 155,131,998	\$ 162,148,008
Total Current Liabilities	\$ 7,025,030	\$ 7,016,012
Total Noncurrent Liabilities	148,106,968	155,131,997
Total Liabilities	\$ 155,131,998	\$ 162,148,008
Total Net Position	\$ -	\$ -
Total Operating Revenues	\$ -	\$ -
Total Operating Expenses	-	-
Operating Income (Loss)	\$ -	\$ -
Total Nonoperating Revenues	\$ 12,761,256	\$ 10,412,673
Total Nonoperating Expenses	12,761,256	10,412,673
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 2021.

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, 2021 and 2020 were \$187,876 and \$271,838, 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, 2021 and 2020 were \$76,481 and \$281,808, 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, 2021 and 2020 were \$194,028 and \$0, respectively.

The university's payments for the fleet automobile policy and a blanket public official bond for the fiscal years 2021 and 2020 were as follows:

	2021	2020
Fleet Automobile Policy	\$ 99,735	99,141
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 20 years and the University has the right to extend the agreement for an additional six five-year option periods.



**Required Supplemental
Information (unaudited)**

GULF PARK
CAMPUS



REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Net Pension Liability

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

This schedule presents historical trend information about the IHL System's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a 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. Trend information will be accumulated to display a 10-year presentation.

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

Changes of assumptions:

2020

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

2018

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

2017

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

2016

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

Change in benefit provisions:

2017

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

2. Net OPEB liability

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

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

Changes of assumptions:

2021

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

2020

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

2019

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

Changes to benefit terms:

2021

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





PREPARED BY
Office of the Controller

118 College Drive #5143, Hattiesburg, MS 39406
601.266.4084 | usm.edu