IHL Executive Office
GASB Financial Statements
June 30, 2014

Contact Information:

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(601) 432-6561

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* The IHL Executive Office is a component unit of the State of Mississippi Institutions of Higher Learning (IHL) system. As such, these statements are also incorporated within the IHL System's financial statements for Fiscal Year Ending June 30, 2014.
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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
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</tbody>
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Management Discussion and Analysis
For the Year Ended June 30, 2014

About the Board of Trustees

The Mississippi Board of Trustees is the constitutional governing body of the State Institutions of Higher Learning. The twelve (12) Trustees have staggered terms and are appointed by the governor. The Executive Office, located in the Education and Research Center of Mississippi, is responsible for policy and financial oversight of the eight public institutions of higher learning. Dr. Hank M. Bounds, Commissioner of Higher Education, is the Board’s agent in administering the Board’s policies. Divisions of the Commissioner’s Office include finance and administration, academic and student affairs, real estate and facilities, research and planning, and external relations. The Board oversees the instruction, research and public service activities and programs at the eight public universities, including the University of Mississippi Medical Center, Mississippi Cooperative Extension Service, Mississippi Agricultural, Forestry and Veterinary Medicine, ten off-campus centers, and various other locations throughout the state. All universities offer master’s level programs; six have programs at the education specialist level and five offer doctoral-level programs.

Board Members:

- Trustee Aubrey Patterson – President
- Trustee Alan W. Perry – Vice President
- Trustee Ed Blakeslee
- Trustee Karen Cummins
- Trustee Bradford Johnson Dye, III
- Trustee Shane Hooper
- Trustee Bob Owens
- Trustee Hal Parker
- Trustee Christine L. Pickering
- Trustee Robin Robinson
- Trustee Douglas W. Rouse
- Trustee C.D. Smith, Jr.
IHL Executive Office Financial Administrators:

- Mr. John Pearce, Jr., CPA – Associate Commissioner of Finance & Administration
- Chris Halliwell, CPA – Director of University Financial Analysis
- Holly Johnson, CPA – Director of Accounting

Using the Financial Statements

The financial report of the IHL Executive Office is part of the comprehensive State of Mississippi Institutions of Higher Learning system financial report. This system report is in turn a component of the Mississippi Comprehensive Annual Financial Report.

The IHL Executive Office’s financial report covers the year ended June 30, 2014 (with comparative data as of June 30, 2013 included). The report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the IHL Executive Office as a whole.

Statement of Net Position

The Statement of Net Position presents the financial position of the IHL Executive Office at the end of the fiscal year and includes all assets and liabilities of the IHL Executive Office. The difference between total assets and total liabilities - net position - is one indicator of the current financial condition of the IHL Executive Office, while this change in net position is also an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the IHL Executive Office’s assets, liabilities and net position at June 30, 2014, 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>June 30th 2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$17,974,348</td>
<td>$14,986,599</td>
<td>$19,840,766</td>
</tr>
<tr>
<td>Capital Assets, net</td>
<td>4,729,683</td>
<td>4,805,040</td>
<td>4,852,068</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>98,873,172</td>
<td>90,667,778</td>
<td>83,431,233</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$121,577,203</td>
<td>$110,459,417</td>
<td>$108,124,067</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$12,072,869</td>
<td>$10,854,050</td>
<td>$10,806,832</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>28,756,059</td>
<td>28,719,799</td>
<td>30,715,288</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$40,828,928</td>
<td>$39,573,846</td>
<td>$41,522,120</td>
</tr>
<tr>
<td>Net Position</td>
<td>$80,748,275</td>
<td>$70,885,571</td>
<td>$66,601,947</td>
</tr>
<tr>
<td>Total Liabilities and Net Position</td>
<td>$121,577,203</td>
<td>$110,459,417</td>
<td>$108,124,067</td>
</tr>
</tbody>
</table>
Current assets consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Non-current assets consist mainly of long-term investments; student notes receivables and capital assets. In comparison to the prior year-end, total assets increased approximately $11.1 million by June 30, 2014. Cash, Cash Equivalents and Investments increased approximately $9.1 million by June 30, 2014. The IHL Executive Office increased its net surplus during 2014 by $5.6 million, enabling the office the ability to increase its investment portfolio during the year. In addition, year-end receivables decreased over $500,000 over the prior year-end period, also increasing the office’s available funds for investiture. Other asset balances remained relatively stable from year to year.

Liabilities consist primarily of vendor payables, accrued leave liabilities and reserves set aside for unpaid claims of the Workers Compensation, Tort and Unemployment Liability Risk Management pool(s). Total liabilities remained relatively stable from June 30, 2013 through June 30, 2014. Total liabilities increased $1.3 million during this time period. Most of this increase was accountable to the three Risk Management pools. Annual activity reports from these programs indicated the continued need to raise these liability contingencies. Continued surges in the numbers of and dollars spent, and/or committed to these professional liability programs necessitated these increases. Therefore these pooled liability funds were increased in value by approximately $1.1 million at June 30, 2014.

Net position represent the residual interest in the IHL Executive Office’s assets after liabilities are deducted. Net position at June 30, 2014, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>June 30th 2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in Capital</td>
<td>$4,718,174</td>
<td>$4,801,057</td>
<td>$4,846,133</td>
</tr>
<tr>
<td>Assets, net of related debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted - Non Expendable</td>
<td>35,217,743</td>
<td>30,947,359</td>
<td>28,373,430</td>
</tr>
<tr>
<td>Restricted - Expendable</td>
<td>35,170,814</td>
<td>31,050,689</td>
<td>32,727,431</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,641,544</td>
<td>4,086,466</td>
<td>654,953</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$80,748,275</td>
<td>$70,885,571</td>
<td>$66,601,947</td>
</tr>
</tbody>
</table>

"Invested in Capital Assets, net of related debt" equaled $4.7 million at June 30, 2014. This net position represents the IHL Executive Office’s capital assets, net of accumulated depreciation. This net position decreased slightly during fiscal year 2014 due to the annual addition to accumulated depreciation on these capital assets outpacing the purchase value of new capital assets, mainly furniture and equipment.

"Restricted Non-Expendable" net position equaled $35.2 million at June 30, 2014. This net position consists of endowments and similar type funds, which donors or other external sources have stipulated, as a condition of the investment instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal. The value of this net position increased approximately $4.3 million in 2014 and another $2.6 million in 2013. This is the net position category in which the annually invested Ayers Settlement endowments are classified. These endowments are scheduled to increase approximately $3.6 million annually through fiscal year 2016.

"Restricted Expendable" net position equaled $35.2 million at June 30, 2014. This net position is available for expenditure by the IHL Executive Office, but must be used for purposes as specified by donors or other external entities. The values of these net funds increase approximately $4.1 million during 2014, primarily due to increased net surplus earned by the office during the year.
"Unrestricted" net position equaled $5.6 million at June 30, 2014. This net position is available to the IHL Executive Office for any lawful expenditure purpose. Unrestricted net position increased $1.6 million during 2014, again due to the office’s ability to create a greater net surplus on unrestricted activities during the past 12 months.

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) presents the IHL Executive Office’s operational results. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating. Operating expenditures are those incurred to acquire or produce the goods or services provided in return for the operating revenues, as well as supporting the mission(s) of the IHL Executive Office. Non-operating revenues are those received for which goods and services are not provided. For example, state appropriation revenues are classified as non-operating because they are provided by the state legislature, without the legislature directly receiving commensurate goods or services in return. Due to this classification method, the SRECNA typically depicts an overall net operating loss ($43.8 million for 2014). Therefore the “change in net position” is more indicative of the overall financial results for the fiscal year. A summarized comparison of the IHL Executive Office’s SRECNP for the years ending June 30, 2014, 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Fiscal Year 2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$29,753,772</td>
<td>$31,480,201</td>
<td>$33,345,076</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(73,523,249)</td>
<td>(69,089,184)</td>
<td>(71,309,639)</td>
</tr>
<tr>
<td>Net-operating loss</td>
<td>$(43,769,477)</td>
<td>$(37,608,983)</td>
<td>$(37,964,563)</td>
</tr>
<tr>
<td>Non-operating revenues, net</td>
<td>$52,343,497</td>
<td>$43,008,745</td>
<td>$43,650,240</td>
</tr>
<tr>
<td>Increase/(Decrease) in net position</td>
<td>$8,574,020</td>
<td>$5,399,762</td>
<td>$5,685,677</td>
</tr>
<tr>
<td>Net position at beginning of year</td>
<td>$70,885,571</td>
<td>$66,601,947</td>
<td>$61,061,969</td>
</tr>
<tr>
<td>Prior period adjustments</td>
<td>$1,288,684</td>
<td>$(1,116,138)</td>
<td>$(145,699)</td>
</tr>
<tr>
<td>Net position at end of year</td>
<td>$80,748,275</td>
<td>$70,885,571</td>
<td>$66,601,947</td>
</tr>
</tbody>
</table>

A quick summary shows that the IHL Executive Office experienced a $3.2 million increase in net position during fiscal year 2014 prior to any prior period adjustments. In effect this means that total revenues exceeded total expenditures in 2014. This was also the case in the two prior years as shown above. A closer look at revenues and expenditures shown on the following pages will highlight why the organization realized these overall results. The following chart on page 5 depicts the breakdown of the significant operating revenues and state appropriations for the past three fiscal years.
A broad range of revenue sources are necessary to support the IHL Executive Office. Some significant shifts have occurred among these sources during the past three years. The most significant change in 2014 included an $8.7 million increase in State Appropriations revenue, and a $1.3 million increase in Other Sources revenue. The state appropriation increase included significant increases targeted for the Mississippi Office of Student Financial Aid as the Mississippi legislature funded current aid programs at higher levels, while also starting a new loan program aimed at attracting higher quality applicants into the IHL System’s teacher preparation programs. On the opposite spectrum, Governmental Grants and Contracts revenue decreased $3.3 million during 2014. This was primarily caused by the shut-down of the America Reads Mississippi (ARM) federal grant program after 2013. In 2013, the ARM program was almost a $3.0 million annual grant program.

Two methods are used to present operating expenses of the IHL Executive Office for the past three years. On the first chart on page 6, operating expenses are displayed by the type of goods or services that were purchased (i.e., according to purpose). This is the format depicted in the Statement of Revenues, Expenses and Changes in Net Position (SRECNP).
Overall operating expenditures increased $4.4 million in 2014. Personnel costs, reflected in the Salaries, Wages and Benefits category decreased $2.8 million in 2014. This was primarily due to the discontinuance of the federal ARM grant program after 2013. Contractual Service costs increased $1.5 million and Scholarships and Fellowships expense increased an additional $2.8 million during 2014. The latter costs represent student aid programs funded by the State of Mississippi for the benefit of college-enrolled, Mississippi citizens attending both public and private institutions within the state. The IHL Executive Office administers these state funded student aid programs. The majority of the $2.8 million increase was realized in the Higher Education Legislation Plan (HELP) student aid program which received an influx of legislative funding ($2.6 million) during 2014 to meet the greater demand for need-based aid. The IHL System’s three risk management programs (Workers Compensation, Unemployment and Tort Liability) increased their year-end unpaid liability ($1.1 million) upon actuarial recommendation. This was a significant factor in the Executive Office’s contractual service costs increase for 2014.

This chart below depicts significant operating expenses by functional area. For example, funds utilized to enhance academic programs and libraries are typically classified as academic support. This method is presented in additional detail in the “Notes to Financial Statements” section (note # 10).

Institutional Support costs increased $5.1 million during fiscal year 2014. Some of this increase can be attributable to the year-end increase to the unpaid claims liability (i.e., three Risk Management Funds).
Scholarships and Fellowships costs increased $2.8 during 2014. Again, this was primarily a result of the significant increase to the IHL’s need-based HELP student aid program.

The “Other” functional expenditure category primarily consists of auxiliary enterprises as well as campus operations and maintenance activities. These costs remained relatively stable for the past twelve months.

Statement of Cash Flows

The Statement of Cash Flows provides another perspective of financial activities and results. This statement provides information about the activities of the institution on a cash basis. It is divided into five areas. The “Cash Flows from Operating Activities” section summarizes cash generated and used through operating activities. “Cash Flows from Noncapital Financing Activities” contain cash transactions that do not involve operations, investment activities, or capital financing activities. The third section, “Cash Flows from Investing Activities”, displays the cash used to purchase investments, cash returns on these investments, and cash proceeds from the sale or maturity of investments. The fourth section, “Cash Flows from Capital Financing Activities”, summarizes the cash used for the acquisition, construction, renovation, and improvement of capital and related assets. The last section contains a reconciliation of net cash provided (used) to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position (SRECNP). A condensed Statement of Cash Flows is presented below.

<table>
<thead>
<tr>
<th>Cash Provided (Used) By:</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Operating activities</td>
<td>$ (42,767,492)</td>
</tr>
<tr>
<td>Noncapital financing activities</td>
<td>49,489,769</td>
</tr>
<tr>
<td>Capital &amp; related financing activities</td>
<td>(63,813)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(3,685,997)</td>
</tr>
<tr>
<td><strong>Net increase (decreases) in Cash</strong></td>
<td>$ 2,972,467</td>
</tr>
<tr>
<td>Cash Beginning of Year</td>
<td>7,759,940</td>
</tr>
<tr>
<td><strong>Cash End of Year</strong></td>
<td>$ 10,732,407</td>
</tr>
</tbody>
</table>

The condensed statement above illustrates the composition of cash sources and uses for fiscal years 2012 through 2014. Major sources of cash in operating activities for 2014 were grants and contracts ($8.0 million), sales and services ($3.3 million), auxiliary enterprise sales ($2.2 million), and other receipts ($16.6 million). Major operating uses of cash included payments to employees for salaries and benefits ($10.7 million), payments to suppliers ($25.1 million), payments for scholarships and fellowships ($26.7 million), and loan payments to students ($10.6 million).

Major sources of cash included in non-capital financing activities for 2014 include state appropriations ($49.8 million).

Major uses of cash included in capital and related financing activities for 2014 include $63,813 for cash paid for capital assets.
Major sources of cash included in investing activities for 2014 include proceeds from sales and receipts of investments ($12.0 million), and net interest received on investments ($1.4 million). Major uses of cash in this section included $17.1 million used for purchases and deduction of investments.

**Significant Long-Term Liabilities**

The IHL Executive Office acts as the administrator for the Mississippi Institutions of Higher Learning's (IHL System) self-insured Workers Compensation Fund, Unemployment Trust Fund and Tort Liability Fund. These funds exist to serve the cost of providing benefits to eligible workers and making payments of court ordered liability decisions. At year end, contingency liability funds are established for both reported and unreported insured events, which include professional estimates of future payments of losses. A summary of contingent liabilities is presented below.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>June 30th 2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers Compensation fund</td>
<td>$22,615,000</td>
<td>$21,728,000</td>
<td>$21,396,000</td>
</tr>
<tr>
<td>Unemployment fund</td>
<td>3,158,000</td>
<td>2,800,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Tort Liability fund</td>
<td>11,636,000</td>
<td>11,822,000</td>
<td>14,769,000</td>
</tr>
<tr>
<td><strong>Total Contingent Liabilities</strong></td>
<td><strong>$37,409,000</strong></td>
<td><strong>$36,350,000</strong></td>
<td><strong>$38,665,000</strong></td>
</tr>
</tbody>
</table>

Preliminary actuarial estimates are used to adjust these liability balances at year-end. The actuarial estimates are based in part upon historical Fund data. Those estimates have generally tracked upward during the past several years. Once claim data is completed for the year, final actuarial estimates are issued and the fund liabilities are subsequently adjusted in the next fiscal period.

**Management’s Outlook**

The overall financial position of the IHL Executive Office remains secure and steady. Management has adapted to this economic environment and continues to search for new opportunities to compliment existing revenue sources, while continuing to explore efficiencies on the expense side. We believe that future economic conditions will continue to present new challenges to higher education across the nation but the IHL Executive Office is prepared to meet these challenges.


8
## MISSISSIPPI BOARD OF TRUSTEES of
STATE INSTITUTIONS OF HIGHER LEARNING - EXECUTIVE OFFICE
STATEMENT OF NET POSITION

### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents (note #3)</td>
<td>$10,732,407</td>
<td>$7,759,940</td>
</tr>
<tr>
<td>Short Term Investments (note #3)</td>
<td>4,218,798</td>
<td>3,597,607</td>
</tr>
<tr>
<td>Accounts Receivables, Net (note #4)</td>
<td>1,850,498</td>
<td>2,381,933</td>
</tr>
<tr>
<td>Student Notes Receivables, Net (note #5)</td>
<td>720,587</td>
<td>822,498</td>
</tr>
<tr>
<td>Inventories</td>
<td>434,139</td>
<td>383,072</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>17,919</td>
<td>41,549</td>
</tr>
<tr>
<td><strong>Total Current assets</strong></td>
<td><strong>17,974,348</strong></td>
<td><strong>14,986,599</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Investments (note #3)</td>
<td>34,176,204</td>
<td>30,239,766</td>
</tr>
<tr>
<td>Other Long Term investments (note #3)</td>
<td>34,382,963</td>
<td>32,257,890</td>
</tr>
<tr>
<td>Student Notes Receivable, Net (note #5)</td>
<td>30,313,965</td>
<td>28,171,122</td>
</tr>
<tr>
<td>Capital Assets, Net (note #6)</td>
<td>4,729,683</td>
<td>4,805,040</td>
</tr>
<tr>
<td><strong>Total Non-Current assets</strong></td>
<td><strong>103,602,855</strong></td>
<td><strong>95,472,818</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$121,577,203</strong></td>
<td><strong>$110,459,417</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Outflows of Resources</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

## Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Accrued Liabilities (note #7)</td>
<td>$2,624,499</td>
<td>$2,437,354</td>
</tr>
<tr>
<td>Accrued Leave Liabilities - Current Portion (note #8)</td>
<td>47,208</td>
<td>43,107</td>
</tr>
<tr>
<td>Long Term Liabilities - Current Portion (note #8)</td>
<td>9,401,162</td>
<td>8,373,589</td>
</tr>
<tr>
<td><strong>Total Current liabilities</strong></td>
<td><strong>12,072,859</strong></td>
<td><strong>10,854,050</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Leave Liabilities (note #8)</td>
<td>748,221</td>
<td>743,385</td>
</tr>
<tr>
<td>Long Term Liabilities (note #8)</td>
<td>28,007,838</td>
<td>27,976,411</td>
</tr>
<tr>
<td><strong>Total Non-Current liabilities</strong></td>
<td><strong>28,756,059</strong></td>
<td><strong>28,719,796</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$40,828,928</strong></td>
<td><strong>$39,573,846</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Inflows of Resources</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

## Net Position:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Invested in Capital Assets</td>
<td>$4,718,174</td>
<td>$4,801,057</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexpendable -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>975,913</td>
<td>940,779</td>
</tr>
<tr>
<td>Other Purposes</td>
<td>34,241,830</td>
<td>30,006,580</td>
</tr>
<tr>
<td>Expendable -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>35,161,803</td>
<td>31,041,679</td>
</tr>
<tr>
<td>Debt Service</td>
<td>9,011</td>
<td>9,010</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,641,544</td>
<td>4,086,466</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td><strong>$80,748,275</strong></td>
<td><strong>$70,885,571</strong></td>
</tr>
</tbody>
</table>
### MISSISSIPPI BOARD OF TRUSTEES of
### STATE INSTITUTIONS OF HIGHER LEARNING - EXECUTIVE OFFICE
### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

<table>
<thead>
<tr>
<th>Operating Revenues:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Grants and Contracts</td>
<td>$ 6,297,750</td>
<td>$ 9,270,714</td>
</tr>
<tr>
<td>State Grants and Contracts</td>
<td>$ 92,662</td>
<td>$ 110,806</td>
</tr>
<tr>
<td>Non governmental Grants and Contracts</td>
<td>$ 1,244,162</td>
<td>$ 1,566,350</td>
</tr>
<tr>
<td>Auxiliary revenues</td>
<td>$ 2,254,280</td>
<td>$ 2,210,464</td>
</tr>
<tr>
<td>Sales and Service revenues</td>
<td>$ 3,304,316</td>
<td>$ 3,041,788</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>$ 16,560,602</td>
<td>$ 15,280,079</td>
</tr>
</tbody>
</table>

**Total Operating Revenues**

$29,753,772  
$31,480,201

<table>
<thead>
<tr>
<th>Operating Expenses (note #10):</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$ 8,392,139</td>
<td>$ 10,558,744</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>$ 2,360,415</td>
<td>$ 2,972,272</td>
</tr>
<tr>
<td>Travel</td>
<td>$ 371,151</td>
<td>$ 462,930</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>$ 24,129,713</td>
<td>$ 22,580,836</td>
</tr>
<tr>
<td>Utilities</td>
<td>$ 867,311</td>
<td>$ 706,297</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>$ 33,864,677</td>
<td>$ 31,029,549</td>
</tr>
<tr>
<td>Commodities</td>
<td>$ 375,285</td>
<td>$ 803,822</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>$ 154,170</td>
<td>$ 150,889</td>
</tr>
<tr>
<td>Other Operating Expense</td>
<td>$ 2,608,388 (176,155)</td>
<td></td>
</tr>
</tbody>
</table>

**Total Operating Expenses**

$73,523,249  
$69,089,184

<table>
<thead>
<tr>
<th>Operating Income (Loss)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(43,769,477)</td>
<td>$(37,608,983)</td>
</tr>
</tbody>
</table>

### Nonoperating Revenues (Expenses):

<table>
<thead>
<tr>
<th>Nonoperating Revenues (Expenses):</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>$ 49,583,011</td>
</tr>
<tr>
<td>Endowment Income</td>
<td>$ 20</td>
</tr>
<tr>
<td>State Appropriations Restricted for Capital Purposes</td>
<td>$ 1,382,541</td>
</tr>
<tr>
<td>Investment Income, net</td>
<td>$ 1,613,822</td>
</tr>
<tr>
<td>Other Nonoperating Revenue/(Expenses)</td>
<td>$(235,897)</td>
</tr>
</tbody>
</table>

**Total Net Nonoperating Revenues (Expenses)**

$52,343,497  
$43,008,745

**Net Increase (Loss) in Net Assets**

$8,574,020  
$5,399,762

### Net Position:

<table>
<thead>
<tr>
<th>Net Position - Beginning of Year, as Originally Reported</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 70,885,571</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prior Period Adjustments (note #2)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1,288,684</td>
</tr>
</tbody>
</table>

**Net Position - Beginning of Year, as Restated**

$72,174,255  
$65,485,809

<table>
<thead>
<tr>
<th>Net Position - End of Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 80,748,275</td>
</tr>
</tbody>
</table>

10
### MISSISSIPPI BOARD OF TRUSTEES of
STATE INSTITUTIONS OF HIGHER LEARNING - EXECUTIVE OFFICE
STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and Contracts</td>
<td>$7,961,426</td>
<td>$11,059,813</td>
</tr>
<tr>
<td>Payments to Suppliers</td>
<td>(25,116,441)</td>
<td>(23,349,910)</td>
</tr>
<tr>
<td>Payments to Employees for Salaries and Benefits</td>
<td>(10,743,617)</td>
<td>(13,539,973)</td>
</tr>
<tr>
<td>Payments for Utilities</td>
<td>(867,311)</td>
<td>(706,297)</td>
</tr>
<tr>
<td>Payments for Scholarships and Fellowships</td>
<td>(26,714,816)</td>
<td>(24,280,065)</td>
</tr>
<tr>
<td>Loans Issued to Students</td>
<td>(10,602,050)</td>
<td>(8,200,150)</td>
</tr>
<tr>
<td>Collection of Loans to Students</td>
<td>1,043,061</td>
<td>1,059,617</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>2,188,437</td>
<td>2,203,327</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>3,321,648</td>
<td>3,240,993</td>
</tr>
<tr>
<td>Interest Earned on Loans to Students</td>
<td>369,429</td>
<td>336,878</td>
</tr>
<tr>
<td>Other Receipts</td>
<td>16,559,589</td>
<td>15,309,376</td>
</tr>
<tr>
<td>Other Payments</td>
<td>(166,847)</td>
<td>(212,163)</td>
</tr>
</tbody>
</table>

**Net Cash Provided (Used) by Operating Activities**

$ (42,767,492)  
$ (37,078,554)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>$49,843,450</td>
<td>$41,273,508</td>
</tr>
<tr>
<td>Other Sources</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td>Other Uses</td>
<td>(353,701)</td>
<td>(1,369,569)</td>
</tr>
</tbody>
</table>

**Net Cash Provided by Non-Capital Financing Activities**

$ 49,489,769  
$ 39,903,939

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Paid for Capital Assets</td>
<td>$63,813</td>
<td>$134,182</td>
</tr>
</tbody>
</table>

**Net Cash Used by Capital and Related Financing Activities**

$ (63,813)  
$ (134,182)

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from Sales and Receipts of Investments</td>
<td>$12,046,072</td>
<td>$43,231,791</td>
</tr>
<tr>
<td>Interest Received on Investments (net of fees)</td>
<td>1,391,243</td>
<td>1,616,111</td>
</tr>
<tr>
<td>Purchases and Deductions to Investments</td>
<td>(17,123,312)</td>
<td>(50,403,220)</td>
</tr>
</tbody>
</table>

**Net Cash Provided by Investing Activities**

$ (3,685,997)  
$ (5,555,318)

<table>
<thead>
<tr>
<th>Net Increase (Decrease) in Cash and Cash Equivalents</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents - Beginning of the Year</td>
<td>$7,759,940</td>
<td>$10,624,055</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - End of the Year</td>
<td>$10,732,407</td>
<td>$7,759,940</td>
</tr>
</tbody>
</table>

11
## RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Loss)</td>
<td>$(43,769,477)</td>
<td>$(37,608,983)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>$154,170</td>
<td>$150,889</td>
</tr>
<tr>
<td>Bad Debts Expense</td>
<td>$233,626</td>
<td>$311,974</td>
</tr>
<tr>
<td>Other</td>
<td>$662,435</td>
<td>$1,395,040</td>
</tr>
<tr>
<td>Changes in Assets and Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) Decrease in Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables, Net</td>
<td>$(1,275,891)</td>
<td>$498,804</td>
</tr>
<tr>
<td>Inventories</td>
<td>$(51,067)</td>
<td>$108,422</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>$23,630</td>
<td>$13,574</td>
</tr>
<tr>
<td>Increase (Decrease) in Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payables and Accrued Liabilities</td>
<td>$187,145</td>
<td>$375,683</td>
</tr>
<tr>
<td>Accrued Leave Liability</td>
<td>$8,937</td>
<td>$(8,957)</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>$1,059,000</td>
<td>$(2,313,000)</td>
</tr>
<tr>
<td>Total Adjustments:</td>
<td>$1,001,985</td>
<td>$530,429</td>
</tr>
<tr>
<td>Net Cash Provided (Used) by Operating Activities:</td>
<td>$(42,767,492)</td>
<td>$(37,078,554)</td>
</tr>
</tbody>
</table>

### Non-Operating Items Pulled out from Changes in Assets/Liabilities:

1) State Appropriations Restricted for Capital Purposes

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,382,541</td>
<td>$1,926,682</td>
</tr>
</tbody>
</table>
(1) Summary of Significant Accounting Policies

(a) Reporting Entity & Nature of Operations – The Mississippi Constitution was amended in 1943 to create a Board of Trustees of State Institutions of Higher Learning. This constitutional Board provides management and control of Mississippi’s system of public higher education.

The Board of Trustees is the constitutional governing body of the State Institutions of Higher Learning. Because of changes in the legislation regarding the appointment of Board members, "after January 1, 2004, as vacancies occur, the twelve-member Board are to be appointed from each of the three Mississippi Supreme Court districts until there are four members from each Supreme Court district. The terms of office are reduced from twelve years to nine years. The terms are staggered so that all members appointed after 2012 will have a term of nine years."

Dr. Hank M. Bounds, Commissioner of Higher Education, is the Board's agent in administering the Board's policies. Divisions of the Commissioner's Office include academic and student affairs, real estate and facilities, finance and administration, research and planning, internal audit, and state relations. The Board oversees instruction, research and public service activities and programs at the eight public universities, including the University of Mississippi Medical Center, the Mississippi Cooperative Extension Service, Mississippi Agricultural, Forestry and Veterinary Medicine, approximately ten off-campus centers, and various other locations throughout the state. All universities offer master's level programs; six have programs at the education specialist level and five offer doctoral-level programs.

(b) Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The IHL Executive Office follows the “business type activities” reporting model requirements, also providing a comprehensive one-look at the institutions financial activities.

(c) Basis of Accounting – The financial statements of the institution have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when obligations have been incurred. All significant transactions among departments and auxiliary units of the IHL Executive Office have been eliminated.

(d) Cash Equivalents – For purposes of the statement of cash flows, the IHL Executive Office considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(e) 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 expenses during the reporting period. Actual results could differ from those estimates.
Significant estimates include the determination of the allowances for uncollectible accounts. As a result, there is at least a reasonable possibility that recorded estimates associated with these accounts could change by a material amount in the near term.

Included in other noncurrent liabilities are unpaid claim liabilities relating to the IHL System's self-insured workers' compensation, unemployment compensation, and tort claims. The liabilities for these unpaid claims and loss adjustment expenses are determined using both evaluations of each claim and statistical analyses and represent the estimated ultimate net cost of all claims and expenses incurred through the end of the reporting period. The determination of claims payable include estimates that particularly susceptible to change in the near term. Management believes that liabilities established for these unpaid claims at June 30, 2014 and 2013 are adequate to cover the ultimate net cost of claims and contractual adjustments, but these liabilities are necessarily based upon estimates and, accordingly, the amount ultimately paid will be more or less than such estimates. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in operations currently.

(f) Short-term Investments – Short-term investments are investments that are not cash equivalents but mature within the next fiscal year.

(g) Accounts receivables, net – Accounts receivables consist mainly of amounts due from federal and state governments, and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the institution's operations. Accounts receivables are recorded net of an allowance for doubtful accounts.

(h) Student notes receivables, net – Student notes receivables consist of federal and institutional loans made to students for the purpose of paying tuition and fee charges at their respective institutions of higher learning. Loan balances that are expected to be paid during the next fiscal year are presented on the statement of net assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as non-current assets on the statement of net assets.

(i) Inventories – Inventories consist of books for resale by the University Press.

(j) Restricted Cash and Cash Equivalents and Restricted Short-Term Investments – Cash, cash equivalents and short-term investments that are externally restricted to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.
(k) **Endowment Investments** – The IHL Executive Office’s endowment investments are generally subject to the restrictions of donor gift instruments. They include true endowment funds, which are funds received from a donor or external restricted agency with the restriction that only income is to be utilized; term endowment funds, which are funds for which the donor or external restricted agency has stipulated that the principal may be expended after a stated period or upon the occurrence of a certain event and quasi-endowment funds, which are funds established by the governing board to function like an endowment fund but may be fully expended at any time at the discretion of the governing board.

(l) **Investments** – The IHL Executive Office’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 such changes could materially affect the amounts reported in the IHL Executive Office’s financial statements.

Substantially all investments are reported at fair market value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. Investments in partnerships, for which there are no quoted market prices are valued at net asset value.

(m) **Capital Assets** – Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense 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, if material.

(n) **Prepaid Expenses** – Consist of expenditures that are related to projects, programs, activities or revenues of future fiscal periods.

(o) **Accounts Payable and Accrued Liabilities** – Consist of amounts owed to vendors, contractors, or accrued items such as interest.

(p) **Compensated Absences** – Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated leave.
(q) **Non-Current Liabilities** – Non-current liabilities include (1) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (2) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

(r) **Classification of Revenues & Expenditures** – The IHL Executive Office has classified its revenues and expenditures as either operating or non-operating 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 revenue include (1) sales and services of auxiliary enterprises, (2) most Federal, State and local grants and contracts, and (3) other operating revenues. Examples of operating expenses include (1) employee compensation, benefits and related expense, (2) scholarships and fellowships, (3) utilities, supplies and other services; (4) professional fees, and (5) depreciation expenses related to certain capital assets.

Non-Operating revenues and expenditures have the characteristics of non-exchange transactions as defined by GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations, investment income and certain gifts and contributions. Examples of non-operating expenses include interest on capital assets related debt and bond expenses.

(s) **Net Position** – The IHL Executive Office’s net position is classified as follows:

*Invested in capital assets, net of related debt* reflect the IHL Executive Office’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets: such debt is excluded from this amount.

*Restricted, nonexpendable* net position consists of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted, expendable* net position includes resources that the IHL Executive Office is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. When both restricted and unrestricted resources are available for use, it is generally the IHL Executive Office’s policy to utilize restricted resources first, and then unrestricted resources as needed.
Unrestricted net position represents resources derived from state appropriations, sales and services of educational activities and auxiliary enterprises. While unrestricted net position may be designated for specific purposes by action of management or the governing board, they are available for use at the discretion of the governing board, to meet current expenses for any purpose.

(t) Auxiliary Enterprise Activities - Auxiliary enterprises typically exist to furnish goods or services to students, faculty, staff and even the general public. These entities generally charge a fee directly related to, although not necessarily equal to, the cost of the goods or services it produces. One distinguishing characteristic of auxiliary enterprises is that they are managed as essentially a self-supporting activity. The annual financial activities of the University Press of Mississippi are presented as an auxiliary enterprise of the IHL Executive Office.

(u) Income Taxes - The IHL Executive Office is considered an agency of the State of Mississippi and is treated as a governmental entity for tax purposes and is generally exempt from federal and state income taxes. However, income generated from activities unrelated to the IHL Executive Office’s exempt purpose is subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B). No income tax provision has been recorded because, in the opinion of management, taxes on such unrelated business income would be insignificant.

(v) Deferred Outflows and Inflows of Resources – Transactions that result in the consumption or acquisition of net position in one period that are applicable to future periods. These outflows and inflows are distinguishably different from assets and liabilities.

(2) Prior Period Adjustments

For the years ended June 30, 2014 and June 30, 2013, the IHL Executive Office recorded prior period adjustments that consisted of the following additions and deductions to the various net asset balance:

<table>
<thead>
<tr>
<th></th>
<th>Additions (Deletions) Fiscal Year 2014</th>
<th>Additions (Deletions) Fiscal Year 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Correction adjustments to prior-year balances</td>
<td>$1,288,684</td>
<td>$(1,116,138)</td>
</tr>
<tr>
<td>Total</td>
<td>$1,288,684</td>
<td>$(1,116,138)</td>
</tr>
</tbody>
</table>
Cash and Investments.

Cash, Cash Equivalents and Short-term Investments

Investment policies for cash and short-term investments as set forth by the IHL Board of Trustees policies and State statute authorize the institution to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

For purposes of the Statement of Cash Flows, the institution considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing endowment assets are included in non-current investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the IHL Executive Office will not be able to recover deposits or collateral securities that are in possession of an outside party. The Mississippi State Treasurer manages risk on behalf of the IHL Executive Office. Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the IHL Executive Office.

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

Investments

Investment policies as set forth by IHL Board policy as authorized by Section 37-101-15, Mississippi Code Annotated (1972), authorizes the IHL Executive Office to invest in equity securities, bonds and other securities. Investments are reported at fair market value (FMV).
(3) **Cash and Investments** (continued).

The following table summarized the fair values of IHL Executive Office’s investments at year-end(s):

<table>
<thead>
<tr>
<th></th>
<th>FMV</th>
<th>FMV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30 2014</td>
<td>June 30 2013</td>
</tr>
<tr>
<td>Short-term investments - current assets</td>
<td>$4,218,798</td>
<td>$3,597,607</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment investments</td>
<td>34,176,204</td>
<td>30,238,766</td>
</tr>
<tr>
<td>Other long term investments</td>
<td>34,382,983</td>
<td>32,257,890</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$72,777,985</td>
<td>$66,094,263</td>
</tr>
</tbody>
</table>

- The following table presents these investments by instrument type at year-end(s):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>FMV</th>
<th>FMV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30 2014</td>
<td>June 30 2013</td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>$34,364,012</td>
<td>$28,528,888</td>
</tr>
<tr>
<td>Commercial mortgage backed securities</td>
<td>1,316,170</td>
<td>1,913,554</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>13,303,430</td>
<td>11,983,752</td>
</tr>
<tr>
<td>Tax Municipal bonds</td>
<td>20,094,307</td>
<td>20,475,354</td>
</tr>
<tr>
<td>Equity securities</td>
<td>3,320</td>
<td>3,420</td>
</tr>
<tr>
<td>External Investment Pool</td>
<td>3,696,746</td>
<td>3,189,295</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$72,777,985</td>
<td>$66,094,263</td>
</tr>
</tbody>
</table>

**Custodial Credit Risk**

Per GASB Statement No. 40, Custodial Credit Risk is defined as 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. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty’s trust department or agent, but not held in the government’s name. The IHL Executive Office’s investment policy addresses Custodial Credit Risk policy. In the opinion of management, the IHL Executive Office had no funds exposed to Custodial Credit Risk.
(3) **Cash and Investments (continued).**

**Interest Rate Risk**

Per GASB Statement No. 40, Interest Rate Risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. The IHL Executive Office's investment policy addresses Interest Rate Risk. At June 30, 2014, the IHL Executive Office had the following investments subject to interest rate risk:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>FMV</th>
<th>Investment Maturities (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2014</td>
<td>Less than 1</td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>$34,364,012</td>
<td>$999,255</td>
</tr>
<tr>
<td>Commercial mortgage backed securities</td>
<td>1,316,170</td>
<td>81,771</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>13,303,410</td>
<td></td>
</tr>
<tr>
<td>Tax Municipal bonds</td>
<td>20,094,307</td>
<td>518,732</td>
</tr>
<tr>
<td>Total</td>
<td>$69,077,819</td>
<td>$518,732</td>
</tr>
</tbody>
</table>

At June 30, 2013, the IHL Executive Office had the following investments subject to interest rate risk:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>FMV</th>
<th>Investment Maturities (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2013</td>
<td>Less than 1</td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>$28,526,888</td>
<td>$7,853,901</td>
</tr>
<tr>
<td>Commercial mortgage backed securities</td>
<td>1,913,554</td>
<td>159,796</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>11,983,752</td>
<td></td>
</tr>
<tr>
<td>Tax Municipal bonds</td>
<td>20,475,534</td>
<td>404,892</td>
</tr>
<tr>
<td>Total</td>
<td>$62,901,548</td>
<td>$404,892</td>
</tr>
</tbody>
</table>
(3) Cash and Investments (continued).

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The IHL Executive Office’s investment policy addresses the investment Credit Risk. An overall weighted average credit rating of A or higher must be maintained by high yield fixed income investments. At the following year-ends, the IHL Executive Office had the following exposure to investment credit risk.

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>FMV June 30, 2014</th>
<th>FMV June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaa</td>
<td>$ 34,390,318</td>
<td>$ 28,555,112</td>
</tr>
<tr>
<td>Aa3</td>
<td>128,497</td>
<td>132,580</td>
</tr>
<tr>
<td>Aa2</td>
<td>10,702,141</td>
<td>10,828,589</td>
</tr>
<tr>
<td>A3</td>
<td>-</td>
<td>313,477</td>
</tr>
<tr>
<td>A2</td>
<td>15,552</td>
<td>420,910</td>
</tr>
<tr>
<td>A1</td>
<td>1,747,251</td>
<td>1,700,543</td>
</tr>
<tr>
<td>Baa1</td>
<td>313,624</td>
<td>-</td>
</tr>
<tr>
<td>Not Rated</td>
<td>21,780,536</td>
<td>20,950,337</td>
</tr>
</tbody>
</table>

Total         | $ 69,077,919     | $ 62,901,548     |

The credit risk ratings listed above are issued upon standards set by Moody’s Investor Services.
(3) **Cash and Investments** (continued).

### Concentration of Credit Risk

Per GASB Statement No. 40, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The IHL Executive Office’s investment policy addresses the Concentration of Credit Risk. As shown on the following page, the IHL Executive Office had the following concentration of investments at year-end(s):

<table>
<thead>
<tr>
<th>Issuer</th>
<th>FMV</th>
<th>% of Total Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal National Mortgage Association notes</td>
<td>$ 18,213,310</td>
<td>26.37%</td>
</tr>
<tr>
<td>Government National Mortgage Association notes</td>
<td>13,582,117</td>
<td>19.66%</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation notes</td>
<td>654,493</td>
<td>0.95%</td>
</tr>
<tr>
<td>State of Mississippi Obligations</td>
<td>8,295,500</td>
<td>12.01%</td>
</tr>
<tr>
<td>Federal Home Loan Bank notes</td>
<td>10,792,324</td>
<td>15.62%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank notes</td>
<td>5,741,368</td>
<td>8.31%</td>
</tr>
<tr>
<td>Mississippi Development Bank notes</td>
<td>3,457,101</td>
<td>5.00%</td>
</tr>
<tr>
<td>Pearl Mississippi Urban Renewal notes</td>
<td>2,518,024</td>
<td>3.65%</td>
</tr>
<tr>
<td>Jackson Municipal Airport Authority notes</td>
<td>213,372</td>
<td>0.31%</td>
</tr>
<tr>
<td>Copiah County, MS COPS notes</td>
<td>297,794</td>
<td>0.43%</td>
</tr>
<tr>
<td>Flowood, MS Municipal notes</td>
<td>188,992</td>
<td>0.27%</td>
</tr>
<tr>
<td>Laurel, MS Municipal Water and Sewer System notes</td>
<td>197,399</td>
<td>0.29%</td>
</tr>
<tr>
<td>Leake County, MS GO notes</td>
<td>810,082</td>
<td>1.17%</td>
</tr>
<tr>
<td>Lee County, MS School District notes</td>
<td>1,246,008</td>
<td>1.80%</td>
</tr>
<tr>
<td>Mississippi State Business notes</td>
<td>100,252</td>
<td>0.15%</td>
</tr>
<tr>
<td>Panola County, MS GO notes</td>
<td>309,924</td>
<td>0.45%</td>
</tr>
<tr>
<td>UMCEBC BAB notes</td>
<td>2,459,659</td>
<td>3.56%</td>
</tr>
</tbody>
</table>

**Total** $69,077,919 100.00%

<table>
<thead>
<tr>
<th>Issuer</th>
<th>FMV</th>
<th>% of Total Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal National Mortgage Association notes</td>
<td>$ 19,420,613</td>
<td>30.72%</td>
</tr>
<tr>
<td>Government National Mortgage Association notes</td>
<td>12,746,969</td>
<td>20.26%</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation notes</td>
<td>802,367</td>
<td>1.28%</td>
</tr>
<tr>
<td>State of Mississippi Obligations</td>
<td>8,526,319</td>
<td>13.56%</td>
</tr>
<tr>
<td>Federal Home Loan Bank notes</td>
<td>9,556,243</td>
<td>15.19%</td>
</tr>
<tr>
<td>Mississippi Development Bank notes</td>
<td>3,782,693</td>
<td>6.01%</td>
</tr>
<tr>
<td>Pearl Mississippi Urban Renewal notes</td>
<td>2,509,467</td>
<td>3.99%</td>
</tr>
<tr>
<td>Jackson Municipal Airport Authority notes</td>
<td>213,412</td>
<td>0.34%</td>
</tr>
<tr>
<td>Copiah County, MS COPS notes</td>
<td>286,446</td>
<td>0.46%</td>
</tr>
<tr>
<td>Flowood, MS Municipal notes</td>
<td>188,690</td>
<td>0.30%</td>
</tr>
<tr>
<td>Laurel, MS Municipal Water and Sewer System notes</td>
<td>182,700</td>
<td>0.29%</td>
</tr>
<tr>
<td>Leake County, MS GO notes</td>
<td>811,355</td>
<td>1.29%</td>
</tr>
<tr>
<td>Lee County, MS School District notes</td>
<td>1,205,820</td>
<td>1.92%</td>
</tr>
<tr>
<td>Mississippi State Business notes</td>
<td>100,065</td>
<td>0.16%</td>
</tr>
<tr>
<td>Panola County, MS GO notes</td>
<td>313,314</td>
<td>0.50%</td>
</tr>
<tr>
<td>UMCEBC BAB notes</td>
<td>2,355,075</td>
<td>3.74%</td>
</tr>
</tbody>
</table>

**Total** $62,901,548 100.00%
(4) Accounts Receivable.

Accounts receivable of the IHL Executive Office consisted of the following at year-end(s):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auxiliary Enterprises</td>
<td>$497,868</td>
<td>$424,706</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>$676,643</td>
<td>$1,002,450</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>$126,509</td>
<td>$439,318</td>
</tr>
<tr>
<td>Interest</td>
<td>$371,171</td>
<td>$314,839</td>
</tr>
<tr>
<td>Other</td>
<td>$185,403</td>
<td>$209,987</td>
</tr>
<tr>
<td><strong>Total Accounts receivable</strong></td>
<td><strong>$1,857,594</strong></td>
<td><strong>$2,391,300</strong></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$(7,096)</td>
<td>$(9,367)</td>
</tr>
<tr>
<td><strong>Net Accounts receivable</strong></td>
<td><strong>$1,850,498</strong></td>
<td><strong>$2,381,933</strong></td>
</tr>
</tbody>
</table>

As a component unit of the State of Mississippi, the IHL System is precluded by statute from discharging amounts owed. Accordingly, gross accounts receivables and the allowance for doubtful accounts include amounts considered to be 100% uncollectible and fully reserved in prior years.

(5) Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of time. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the IHL Executive Office at the following year-end(s):

<table>
<thead>
<tr>
<th></th>
<th>Interest Rates</th>
<th>June 30, 2014</th>
<th>Current Portion</th>
<th>Non-Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal loans</td>
<td>3% to 9%</td>
<td>$52,769</td>
<td>$292</td>
<td>$52,477</td>
</tr>
<tr>
<td>Institutional loans</td>
<td>0% to 9%</td>
<td>$37,119,914</td>
<td>$1,074,559</td>
<td>$36,045,355</td>
</tr>
<tr>
<td><strong>Total Notes receivable</strong></td>
<td></td>
<td><strong>$37,172,683</strong></td>
<td><strong>$1,074,851</strong></td>
<td><strong>$36,097,832</strong></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$(6,138,111)</td>
<td>$(354,264)</td>
<td>$(5,783,847)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Notes receivable</strong></td>
<td></td>
<td><strong>$31,034,572</strong></td>
<td><strong>$720,587</strong></td>
<td><strong>$30,313,985</strong></td>
</tr>
</tbody>
</table>
(5)  **Notes Receivable from Students** (continued).

<table>
<thead>
<tr>
<th>Interest Rates</th>
<th>June 30, 2013</th>
<th>Current Portion</th>
<th>Non-Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal loans</td>
<td>3% to 9%</td>
<td>$53,978</td>
<td>$234</td>
</tr>
<tr>
<td>Institutional loans</td>
<td>0% to 9%</td>
<td>34,841,856</td>
<td>1,128,061</td>
</tr>
<tr>
<td>Total Notes receivable</td>
<td></td>
<td>$34,895,834</td>
<td>$1,128,294</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td></td>
<td>$(5,902,214)</td>
<td>$(305,797)</td>
</tr>
<tr>
<td>Net Notes receivable</td>
<td></td>
<td>$28,993,620</td>
<td>$822,498</td>
</tr>
</tbody>
</table>

(6)  **Capital Assets.**

A summary of changes in capital assets of the IHL Executive Office for the year(s) ended is presented below and on the following page:

<table>
<thead>
<tr>
<th>Depreciable Capital Assets</th>
<th>July 1, 2013</th>
<th>Additions</th>
<th>Deletions</th>
<th>June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements other than Buildings</td>
<td>$850,003</td>
<td>-</td>
<td>-</td>
<td>$850,003</td>
</tr>
<tr>
<td>Buildings</td>
<td>10,406,839</td>
<td>-</td>
<td>-</td>
<td>10,406,839</td>
</tr>
<tr>
<td>Equipment</td>
<td>795,316</td>
<td>68,064</td>
<td>14,572</td>
<td>848,808</td>
</tr>
<tr>
<td>Total Depreciable Capital Assets</td>
<td>$12,052,158</td>
<td>68,064</td>
<td>14,572</td>
<td>12,105,650</td>
</tr>
</tbody>
</table>

**Less Accumulated Depreciation for:**

<table>
<thead>
<tr>
<th>Depreciable Capital Assets</th>
<th>July 1, 2013</th>
<th>Additions</th>
<th>Deletions</th>
<th>June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements other than Buildings</td>
<td>$635,802</td>
<td>2,379</td>
<td>2</td>
<td>$638,179</td>
</tr>
<tr>
<td>Buildings</td>
<td>6,013,362</td>
<td>90,504</td>
<td>-</td>
<td>6,103,866</td>
</tr>
<tr>
<td>Equipment</td>
<td>597,954</td>
<td>61,287</td>
<td>25,319</td>
<td>633,922</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>$7,247,118</td>
<td>154,170</td>
<td>25,321</td>
<td>$7,375,967</td>
</tr>
</tbody>
</table>

**Capital Assets, Net**

$4,805,040          $4,729,683
(6) **Capital Assets (continued).**

<table>
<thead>
<tr>
<th>Depreciable Capital Assets:</th>
<th>July 1, 2012</th>
<th>Additions</th>
<th>Deletions</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements other than Buildings</td>
<td>$850,003</td>
<td>- $</td>
<td>- $</td>
<td>$850,003</td>
</tr>
<tr>
<td>Buildings</td>
<td>$10,406,839</td>
<td>-</td>
<td>-</td>
<td>$10,406,839</td>
</tr>
<tr>
<td>Equipment</td>
<td>$755,604</td>
<td>134,182</td>
<td>94,470</td>
<td>$795,316</td>
</tr>
<tr>
<td><strong>Total Depreciable Capital Assets</strong></td>
<td><strong>$12,012,446</strong></td>
<td><strong>$134,182</strong></td>
<td><strong>$94,470</strong></td>
<td><strong>$12,052,158</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less Accumulated Depreciation for:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements other than Buildings</td>
<td>$633,423</td>
<td>2,379</td>
<td>-</td>
<td>$635,802</td>
</tr>
<tr>
<td>Buildings</td>
<td>$5,922,344</td>
<td>91,018</td>
<td></td>
<td>$6,013,362</td>
</tr>
<tr>
<td>Equipment</td>
<td>$604,609</td>
<td>57,491</td>
<td>64,146</td>
<td>$597,954</td>
</tr>
<tr>
<td><strong>Total Accumulated Depreciation</strong></td>
<td><strong>$7,160,376</strong></td>
<td><strong>$150,888</strong></td>
<td><strong>$64,146</strong></td>
<td><strong>$7,247,118</strong></td>
</tr>
</tbody>
</table>

| Capital Assets, Net | $4,852,070 | | | $4,805,040 |

Depreciation is computed on a straight-line basis. The following useful lives, salvage values, and capitalization thresholds are used to compute depreciation:

<table>
<thead>
<tr>
<th></th>
<th>Estimated Useful Lives</th>
<th>Salvage Value</th>
<th>Capitalization Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40 years</td>
<td>20%</td>
<td>$50,000</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>20 years</td>
<td>20%</td>
<td>$25,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>3-15 years</td>
<td>1 – 10%</td>
<td>$5,000</td>
</tr>
</tbody>
</table>
(7) **Accounts Payable and Accrued Liabilities.**

Accounts payables and Accrued Liabilities of the IHL Executive Office at fiscal year-end(s) consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable to vendors and contractors</td>
<td>$2,461,459</td>
<td>$2,271,750</td>
</tr>
<tr>
<td>Accrued employee withholdings</td>
<td>163,040</td>
<td>165,604</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,624,499</strong></td>
<td><strong>$2,437,354</strong></td>
</tr>
</tbody>
</table>

(8) **Long-term Liabilities.**

Long-term liabilities of the IHL Executive Office consist of obligations and liabilities that are expected to be liquidated at least one year from the year-end reporting date. Long-term liability activity is listed as follows:

<table>
<thead>
<tr>
<th>Description and Purpose</th>
<th>July 1, 2013</th>
<th>Additions</th>
<th>Deletions</th>
<th>June 30, 2014</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Long-term Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued leave liabilities</td>
<td>$786,492</td>
<td>$8,937</td>
<td></td>
<td>$795,429</td>
<td>$47,208</td>
</tr>
<tr>
<td>Unpaid Risk Claims *</td>
<td>36,350,000</td>
<td>1,059,000</td>
<td></td>
<td>37,409,000</td>
<td>9,401,162</td>
</tr>
<tr>
<td>Total Other liabilities</td>
<td>$37,136,492</td>
<td>$1,067,937</td>
<td></td>
<td>$38,204,429</td>
<td>$9,448,370</td>
</tr>
</tbody>
</table>

Due within one year         | $9,448,370   |

Total long-term liabilities | $28,756,059  |

* risk associated with future known and unknown workers compensation, tort, and unemployment claims
(8) **Long-term Liabilities** (continued).

Long-term liability activity as of June 30, 2013, is listed as follows:

<table>
<thead>
<tr>
<th>Description and Purpose</th>
<th>July 1, 2012</th>
<th>Additions</th>
<th>Deletions</th>
<th>June 30, 2013</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Long-term Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued leave liabilities</td>
<td>$795,449</td>
<td>$8,957</td>
<td>$</td>
<td>$786,492</td>
<td>$43,107</td>
</tr>
<tr>
<td>Unpaid Risk Claims *</td>
<td>38,665,000</td>
<td>2,315,000</td>
<td>36,350,000</td>
<td>8,373,589</td>
<td></td>
</tr>
<tr>
<td>Total Other liabilities</td>
<td>$39,460,449</td>
<td>$</td>
<td>$2,323,957</td>
<td>$37,136,492</td>
<td>$8,416,696</td>
</tr>
<tr>
<td>Due within one year</td>
<td>$</td>
<td></td>
<td>$</td>
<td>$37,136,492</td>
<td>$8,416,696</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td></td>
<td></td>
<td></td>
<td>$28,719,796</td>
<td></td>
</tr>
</tbody>
</table>

* risk associated with future known and unknown workers compensation, tort, and unemployment claims

(9) **Operating Leases.**

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

<table>
<thead>
<tr>
<th>Year Ending June 30, 2014</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$67,762</td>
</tr>
<tr>
<td>2016</td>
<td>66,931</td>
</tr>
<tr>
<td>2017</td>
<td>54,975</td>
</tr>
<tr>
<td>2018</td>
<td>38,667</td>
</tr>
<tr>
<td>2019</td>
<td>25,178</td>
</tr>
<tr>
<td>Total Minimum Payments Required</td>
<td>$253,513</td>
</tr>
</tbody>
</table>

Total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2014 were equal to $70,432.
Operating Leases (Continued)

<table>
<thead>
<tr>
<th>Year Ending June 30, 2013</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$69,292</td>
</tr>
<tr>
<td>2015</td>
<td>66,942</td>
</tr>
<tr>
<td>2016</td>
<td>61,905</td>
</tr>
<tr>
<td>2017</td>
<td>39,502</td>
</tr>
<tr>
<td>2018</td>
<td>24,917</td>
</tr>
<tr>
<td>2019</td>
<td>16,892</td>
</tr>
</tbody>
</table>

Total Minimum Payments Required $279,450

Total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2013 were equal to $79,751.
(10) **Natural Classifications with Functional Classifications.**

The IHL Executive Office’s operating expenses by functional classification were as follows for the year ended June 30, 2014:

<table>
<thead>
<tr>
<th>Functional Class</th>
<th>Salaries &amp; Wages</th>
<th>Fringe Benefits</th>
<th>Travel</th>
<th>Contractual Services</th>
<th>Utilities</th>
<th>Scholarships &amp; Fellowships</th>
<th>Commodities</th>
<th>Depreciation Expense</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Service</td>
<td>$344,396</td>
<td>$101,457</td>
<td>$3,063</td>
<td>$246,365</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$8,897</td>
<td>-</td>
<td>$559</td>
</tr>
<tr>
<td>Academic Support</td>
<td>1,753,439</td>
<td>349,798</td>
<td>148,688</td>
<td>3,107,373</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>253,604</td>
<td>-</td>
<td>13,465</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>5,142,628</td>
<td>1,438,351</td>
<td>213,416</td>
<td>19,167,647</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>135,491</td>
<td>-</td>
<td>1,194,709</td>
</tr>
<tr>
<td>Operation of Plant</td>
<td>275,743</td>
<td>96,410</td>
<td>-</td>
<td>465,364</td>
<td>867,311</td>
<td>-</td>
<td>-</td>
<td>25,129</td>
<td>-</td>
<td>1,399,661</td>
</tr>
<tr>
<td>Student Aid</td>
<td>-</td>
<td>-</td>
<td>9,715</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33,864,677</td>
<td>-</td>
<td>33,874,392</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>875,932</td>
<td>375,400</td>
<td>5,983</td>
<td>1,133,247</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>352,163</td>
<td>-</td>
<td>2,744,961</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>151,934</td>
<td>-</td>
<td>151,934</td>
</tr>
<tr>
<td>Total Operating Exp.</td>
<td>$8,392,139</td>
<td>$2,366,415</td>
<td>$371,151</td>
<td>$21,129,713</td>
<td>$867,311</td>
<td>$33,864,677</td>
<td>$775,285</td>
<td>$154,170</td>
<td>$2,608,388</td>
<td>$73,523,249</td>
</tr>
</tbody>
</table>
(11) **Pension Plan.**

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

**Vesting Period**

In 2007, the Mississippi Legislature amended the PERS Plan to change the vesting period from four to eight years for members who entered the System after July 1, 2007. A member who entered the System prior to July 1, 2007 is still subject to the four year vesting period provided that the member does not subsequently refund their account balance.

**Funding Policy**

PERS members are required to contribute 9.0% of their annual salary to the plan. State employers are required to contribute at an actuarially determined rate. The actuarially determined rate in effect during Fiscal Year 2014 was equal to 15.75% of covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The IHL Executive Office’s employer contributions to PERS for the years ending June 30, 2014, 2013, 2012, and 2011 were $1,037,318, $954,388, $805,547, and $672,943 respectively, which equaled its required contributions for those respective years.
(12) **Risk Management**

Several types of risk are inherent in the operation of an institution of higher learning. The institution deals with these risks in several manners. One of these methods is the pooling of resources among institutions. The eight public Mississippi universities, as well as the IHL Executive Office, 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 institutions 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 (upon approval of the IHL Executive Office). The IHL Executive Office's share of these annual assessments equaled $16,232 and $15,780 in fiscal years 2014 and 2013 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 Employment Security Commission for benefits the Commission pays directly to former employees. The IHL Executive Office paid assessments to the Unemployment Trust Fund in the amount of $5,982 and $7,079 for fiscal years 2014 and 2013 respectively.

The Tort Liability Fund was established in accordance with Section 11-46 of Mississippi State Law. The Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) 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. The IHL Board authorized the Tort Liability fund to acquire an educator's legal liability policy with a deductible of $1,000,000. Further, the IHL Board designated that $1,000,000 be reserved from the IHL Tort Liability fund net assets to be used towards any future payment of this insurance deductible. The IHL Tort Liability fund also purchases an insurance premium for fleet automobile policy coverage annually. The IHL Executive Office's share of these annual funding assessments for the Fund and the insurance premium for fiscal years 2014 and 2013 equaled to $52,943 and $57,954 respectively.

(13) **Donor Restricted Endowments**

The net appreciation on investments of donor restricted endowments that is available for expenditure authorization equaled $999,387 and $352,148 at June 30, 2014 and June 30, 2013 respectively. This amount is included on the statement of net assets as a component of the expendable net position for scholarship and/or other purposes.
(14) Contingent Liabilities

The IHL Executive Office is party to various lawsuits arising out of the normal course of operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse impact on the financial position of the institution.

The IHL Executive Office also participates in certain Federal grant programs. These programs are subject to compliance audits by the grantor or its representative. 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 IHL Executive Office.