Presentation to the

Mississippi
Board of Trustees

of

State Institutions of Higher Learning

Management Report of Financial Information

Prepared by Finance and Administration

All Funds Fiscal Years 2004 - 2008

Education and General Funds Fiscal Years 2004- 2008

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Summary of History of Institutions

Alcorn State University - Founded in 1871 and located in Lorman, Alcorn State University (ASU) is the oldest black Land-Grant university in the United States. The university is a Carnegie Master's institution. ASU is currently a Four-Year 4 SREB institution offering approximately 50 programs leading to associate, baccalaureate, master's, and specialist degrees. For more information, please visit www.alcorn.edu.

Delta State University - Established in 1924 and located in Cleveland, Delta State University (DSU) is a Carnegie Master's institution offering the state's only four-year commercial aviation program. DSU is currently a Four-Year 4 SREB institution offering approximately 70 programs leading to baccalaureate, master's, specialist, and doctorate degrees. For more information, please visit www.deltastate.edu.

Jackson State University - Established in 1877 and located in the capitol city of Jackson, Jackson State University (JSU) is a Carnegie Research University. Within SREB, JSU is classified as a Four-Year 2 institution offering approximately 100 programs leading to baccalaureate, master's, specialist, and doctorate degrees. For more information, please visit www.jsums.edu.

Mississippi State University - Established in 1878 and located in Starkville, Mississippi State University (MSU) is a Land-Grant university featuring the state's only Veterinary Medicine School and Architecture program. The university is a Carnegie Research institution. MSU is classified as a Four-Year 1 SREB institution offering approximately 175 programs leading to baccalaureate, master's, and specialist, first-professional, and doctorate degrees. For more information, please visit www.msstate.edu.

Mississippi University for Women - Established in 1884 and located in Columbus, the Mississippi University for Women (MUW) became the first public college for women in America. MUW began admitting male students in 1982. The university is a Carnegie Master's institution. Within SREB, MUW is classified as a Four-Year 5 institution offering approximately 45 programs leading to associate, baccalaureate, and master's degrees. For more information, please visit www.muw.edu.

Mississippi Valley State University - Established in 1950 and located in Itta Bena, Mississippi Valley State University (MVSU) is a Carnegie Master's institution. Within SREB, MVSU is classified as a Four-Year 5 institution offering approximately 40 programs leading to baccalaureate and master's degrees. For more information, please visit www.mvsu.edu.

University of Mississippi -Established in 1848 and located in Oxford, the University of Mississippi (UM) is a top producer of Rhodes Scholars. Only six institutions in the United States have produced more Rhodes Scholars. UM is a Carnegie Research University. Within SREB, UM is a Four-Year 2 institution offering approximately 140 programs leading to certificate, baccalaureate, master's, specialist, first-professional, and doctorate degrees. UM also houses the state's only public Law School. The UM website is www.olemiss.edu. In addition, UM is also home to the University of Mississippi Medical Center (UMMC) located in Jackson. Established in 1955, doctors at UMMC performed the nations' first heart and lung transplants. The Medical Center offers approximately 40 programs leading to certificate, baccalaureate, master's, first-professional, and doctorate degrees. For more information about the Medical Center, please visit www.umc.edu.

University of Southern Mississippi - Established in 1910 and located in Hattiesburg, the University of Southern Mississippi (USM) began with an initial enrollment of 200. USM is known around the world as being innovative in Polymer Science research. USM is a Carnegie Research University. Within SREB, USM is a Four-Year 1 institution offering approximately 190 programs leading to baccalaureate, master's, specialist, and doctorate degrees. For more information, please visit www.usm.edu.

Executive Summary

Executive Summary

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. It is important that the financial position of the eight universities, the University of Mississippi Medical Center (UMMC), and the executive office are conveyed to the Board to assist in assessing the fiscal standing of the system's institutions. A glossary is provided in the appendix of this report to help the reader understand the terminology used in the report.

Background and Overview

Universities have diverse streams of revenue – state appropriations, tuition, patient fees (UMMC), and donations, as well as other governmental or private support in the form of contracts and grants. Each institution incurs expenses while carrying out its mission of higher education. As of June 30, 2008, the total assets of the eight universities, UMMC, and the executive office were equal to approximately $3.76 billion, compared to $3.52 billion on June 30, 2007, an increase of $241 million (see Table 1). The most significant increases were Capital Assets ($182 million) and Cash and Cash Equivalents ($131 million).

Liabilities increased to approximately $1.02 billion as of June 30, 2008, from $962 million on June 30, 2007, an increase of $58 million. The major increases were in the areas of Accounts Payables and Accrued Liabilities ($17 million) and Deferred Revenues ($12 million). Long-term debt, at 60 percent, is the largest component of the liability total.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total system Net Assets were equal to $2.75 billion on June 30, 2008, and $2.56 billion on June 30, 2007. The $185 million increase in net assets represents an increase in System equity.

Mississippi's four-year public universities primarily receive two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for core operating funds (e.g. salaries, fringe benefits, etc.) Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment, or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

System revenues and expenses include all sources and funds, including restricted and unrestricted funds. In Fiscal Year 2008, the system generated revenue of nearly $2.68 billion from all sources and all funds. State Appropriations for both Core and Capital operations (32%) and Contracts and Grants (25%) made up the largest categories of revenue for the system. Tuition revenue comprised roughly 12% of total revenue pie. Patient Fee revenues another significant component of the IHL System's total revenue picture is unique to UMMC. These revenues comprised approximately 20% of the System total. Details are provided within the report.

The system expended approximately $2.5 billion in Fiscal Year 2008. System expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 56% ($1.4 billion) of all dollars spent were on salaries, wages, and fringe benefits. Commodities and contractual service expenses made up approximately 28% of the total dollars expended ($702 million).

Education and General Funds

The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue in Fiscal Year 2008 – Student Tuition (41%) and State Appropriations for Core Operations (53%). These two funding sources support the general operations of the campuses. From Fiscal Year 2004 to Fiscal Year 2008, tuition revenue increased $95 million as a result of enrollment *and* tuition increases. State appropriations for core operations increased dramatically in Fiscal Year 2008 ($55 million or 12%). This was the second consecutive significant increase the IHL institutions received..

During Fiscal Year 2008, approximately 39% of the expenses in the E&G fund were spent directly on the Instruction function. Expenditures for instruction increased $27 million in Fiscal Year 2008, and overall have increased $78 million since Fiscal Year 2004 (27%). Since 2004 the eight institutions (UMMC excluded), increased their combined three main expenditure functions (Instruction, Research and Public Service) by almost $104 million, or 27%. Another area where the institutions have significantly increased their spending has been in area of general Operations and Maintenance. Since Fiscal Year 2004, the institutions have increased these costs by almost $33 million (46%). Of course, major utility hikes over that time frame have been a major driver in this increase.

Financial Ratios and Trends

Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else, such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each include:

The <u>Current Ratio</u> measures whether the institutions have sufficient assets to cover current obligations. The Current Ratio for the institutions was 3.25 on June 30, 2007, but dipped to 2.80 on June 30, 2008. This decrease means that E&G liabilities grew at a faster rate than E&G assets. Specifically, the current ratio of 2.80 implies that the institutions had E&G assets to cover 280% of their E&G liabilities. The rule of thumb (non-industry specific) for this ratio is 2 to1. Eight of the nine institutions met this recommended standard in 2008.

The <u>Net Operating Ratio</u> measures financial performance by comparing the E&G fund net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .05 on June 30, 2007, and fell to .03 on June 30, 2008. This performance indicates that the average institution ended each year with a net operating surplus within their E&G operations. The rule of thumb (non-industry specific) for this ratio is between .02 and .04. Only three of nine institutions met this recommended standard during 2008, although three others had positive net E&G operating surpluses below .02 for the year.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was .79, and rose to .86 at June 30, 2007. The increasing trend indicates the average institution's liquidity position improved slightly during Fiscal Year 2008. There is no established rule of thumb for this indicator, but a positive trend is generally desired and indicates that E&G unrestricted net assets are growing faster than debt. A low ratio may impair the ability of the institution to attract capital from outside sources.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from E&G Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio was .09 on June 30, 2007, and .08 on June 30, 2008. Institutions should maintain a reserve (net assets) to meet unexpected needs, and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G unrestricted net assets to grow at the same rate as expenses. A ratio of .08 means an average institution could operate for about four weeks without reliance on new resources.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio of 7% (or a ratio of .07), meaning that current principal and interest expenses should not be greater than 7% of operating expenses. The average institution's ratio decreased slightly to 3% (a ratio of .03) in Fiscal Year 2008. This performance mirrors similar results in three of the previous four years. Presently, all institutions are under the 7% recommended ceiling.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. The institutional average coverage increased to 2.99 for Fiscal Year 2008. This was a marked increase over 2007, when it stood at 1.46. All institutions, with the exception of USM have adequate debt coverage indicators. USM's debt coverage has steadily declined since 2004 from a high of 4.22, to the current level of a negative (.45).

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution is collecting student tuition payments. A high ratio could mean that the institution is not collecting student tuition receivables in a timely manner. For Fiscal Year 2008, the indicator ranged from a low of 3.8% at UM to a high of 55.4% at MVSU with an institutional average of 12.4%. This ratio should continue to be monitored.

A second ratio measurement evaluates the relationship of the Change in the Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Prior Year's Patient Fees. The results show the effect of the increased burden on UMMC's budget due to the care of indigent patients. The results are depicted in the report.

Conclusion

This report is intended to show the fiscal size of the system, the sources of revenue, and the ways the monies are expended. It also serves as a review of the financial health of the system and each institution through the use of ratio analyses. The public universities in Mississippi appear to be fiscally healthy, especially in light of the state's tumultuous economic conditions of the last few years. While all institutions are not improving at the same level or pace, most financial indicators and ratios are still within acceptable and expected ranges.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Policy Research and Planning unit.

System Financial Highlights

System Highlights
Table 1

Mississippi State Institutions of Higher Learning								
System Financial Highlights - GASB Presentation								
(in millions)								
Statement of Net Assets								
	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	20067to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 563.4	$ 638.8	$ 656.8	$ 677.9	$ 784.0	$ 106.1	15.7%	39.2%
Capital Assets	$ 1,697.6	1,795.7	1,956.2	2,164.6	2,346.5	181.9	8.4%	38.2%
Other Non-Current Assets	$ 572.0	556.2	594.1	681.6	634.7	(46.9)	-6.9%	11.0%
TOTAL ASSETS	**$ 2,833.1**	**$ 2,990.7**	**$ 3,207.1**	**$ 3,524.1**	**$ 3,764.6**	**$ 240.5**	**6.8%**	**32.9%**
Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	20067to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 180.5	$ 185.2	$ 212.7	$ 219.6	$ 271.1	$ 51.5	23.5%	50.2%
Non-Current Liabilities	$ 500.5	572.2	651.2	742.1	746.4	4.3	0.6%	49.1%
Net Assets	$ 2,151.9	2,233.3	2,343.2	2,562.4	2,747.1	184.7	7.2%	27.7%
TOTAL LIABILITIES AND NET ASSETS	**$ 2,833.0**	**$ 2,990.7**	**$ 3,207.1**	**$ 3,524.1**	**$ 3,764.6**	**$ 240.5**	**6.8%**	**32.9%**
Revenues and Expenses								
Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	20067to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $79.2m, $77.1m, $101.1 m, $102.9 m & $107.5m respectively)	$ 251.2	$ 280.7	$ 276.6	$ 301.4	$ 328.1	$ 26.7	8.9%	30.6%
State Appropriations - Core Operations	$ 588.7	598.4	594.8	682.2	780.2	98.0	14.4%	32.5%
State Appropriations - Capital	$ 59.2	60.2	61.3	90.1	78.5	(11.6)	-12.9%	32.6%
Grants and Contracts	$ 559.9	612.2	711.1	723.0	667.3	(55.7)	-7.7%	19.2%
Auxiliary Enterprises - Net	$ 151.0	128.2	138.4	149.0	157.7	8.7	5.8%	4.5%
Patient Fees	$ 390.6	388.4	435.3	463.9	531.2	67.3	14.5%	36.0%
Sales and Services	$ 40.1	42.8	43.1	36.1	50.3	14.2	39.3%	25.4%
Investment Income	$ 20.9	24.0	26.6	59.0	22.2	(36.8)	-62.4%	6.2%
Other	$ 89.4	59.2	88.2	84.6	61.4	(23.2)	-27.4%	-31.3%
TOTAL REVENUES	**$ 2,151.0**	**$ 2,194.1**	**$ 2,375.2**	**$ 2,589.3**	**$ 2,676.9**	**$ 87.6**	**3.4%**	**24.4%**
Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	20067to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 1,092.3	$ 1,150.4	$ 1,167.1	$ 1,279.7	$ 1,396.2	$ 116.5	9.1%	27.8%
Travel	$ 34.6	35.9	38.4	43.1	46.2	3.1	7.2%	33.6%
Contractual Services & Commodities	$ 598.8	607.9	637.2	690.4	701.6	11.2	1.6%	17.2%
Utilities	$ 49.3	54.0	74.6	61.2	67.4	6.2	10.1%	36.8%
Scholarships and Fellowships	$ 109.4	121.4	178.2	145.1	125.1	(20.0)	-13.8%	14.4%
Depreciation	$ 76.3	80.3	86.3	92.2	99.8	7.6	8.2%	30.8%
Interest on Capital Assets	$ 15.4	18.7	18.0	23.2	28.6	5.4	23.3%	86.5%
Other	$ 55.7	50.3	37.2	35.0	31.6	(3.4)	-9.7%	-43.3%
TOTAL EXPENSES	**$ 2,031.8**	**$ 2,118.9**	**$ 2,237.0**	**$ 2,369.9**	**$ 2,497.1**	**$ 127.2**	**5.4%**	**22.9%**
Selected Data								
Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	20067to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 363.9	$ 443.6	$ 517.7	$ 565.2	$ 562.1	$ (3.1)	-0.5%	54.5%
Capital Leases	$ 23.6	18.1	21.0	27.3	31.1	3.8	13.9%	31.5%
TOTAL DEBT	**$ 387.5**	**$ 461.7**	**$ 538.7**	**$ 592.8**	**$ 593.2**	**$ 0.4**	**0.1%**	**53.1%**
INVESTMENTS	**$ 484.1**	**$ 592.0**	**$ 571.8**	**$ 599.1**	**$ 507.9**	**$ (91.2)**	**-15.2%**	**4.9%**
INVESTMENT INCOME	**$ 20.0**	**$ 24.0**	**$ 26.6**	**$ 59.0**	**$ 22.2**	**$ (36.8)**	**-62.4%**	**11.0%**

NOTES:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

System Highlights
Table 2

Mississippi State Institutions of Higher Learning
System Financial Highlights - Education and General - Institutions Only
(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 295.6	$ 319.2	$ 334.0	$ 360.5	$ 391.0	$ 30.5	8.46%	32.3%
State Appropriations - Core Operations	405.5	410.2	409.6	455.7	510.5	54.8	12.03%	25.9%
Other	52.4	56.7	56.3	65.5	62.9	(2.6)	-3.97%	20.0%
Total Revenue	**$ 753.6**	**$ 786.1**	**$ 799.9**	**$ 881.7**	**$ 964.4**	**$ 82.7**	**9.38%**	**28.0%**
2004 constant dollars	**$ 714.0**	**$ 721.8**	**$ 714.4**	**$ 766.9**	**$ 817.9**	**$ 51.0**	**6.65%**	**14.6%**
2004 constant dollars per FTE[4]	**$ 12,598**	**$ 12,362**	**$ 12,214**	**$ 13,079**	**$ 13,798**	**$ 719**	**5.50%**	**9.5%**
Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**			**FY 2004 - FY 2008 = 17.91% increase**				

Expenses - by Function	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Instruction	$ 286.4	$ 303.1	$ 311.3	$ 337.8	$ 364.7	$ 26.9	7.96%	27.3%
Research	53.3	52.4	53.6	59.3	69.2	9.9	16.7%	29.9%
Public Service	50.8	50.2	48.3	52.3	60.4	8.1	15.5%	19.0%
Academic Support	67.9	69.1	77.6	80.2	88.6	8.4	10.5%	30.6%
Student Services	44.0	45.2	49.1	54.1	58.4	4.3	7.9%	32.6%
Institutional Support	78.3	84.8	83.2	94.2	103.1	8.9	9.4%	31.6%
Operation & Maintenance	71.4	81.0	91.4	92.6	104.3	11.7	12.6%	46.0%
Scholarships & Fellowships	48.2	52.5	50.6	59.8	67.7	7.9	13.2%	40.5%
Other & Mandatory Transfers	15.1	18.2	14.3	11.8	14.9	3.1	26.3%	-1.1%
Total Expenses	**$ 715.4**	**$ 756.5**	**$ 779.4**	**$ 842.1**	**$ 931.3**	**$ 89.2**	**10.6%**	**30.2%**
2004 constant dollars	**$ 677.8**	**$ 694.6**	**$ 696.1**	**$ 732.5**	**$ 789.9**	**$ 57.4**	**7.83%**	**16.5%**
2004 constant dollars per FTE[4]	**$ 11,960**	**$ 11,897**	**$ 11,901**	**$ 12,492**	**$ 13,325**	**$ 833**	**6.67%**	**11.4%**

Key Financial Indicators (Formulas in Glossary)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Ratio (measures liquidity)	2.80	3.08	2.93	3.25	2.80	(0.45)	-13.8%	0.0%
Net Operating Ratio (measures financial performance)	0.05	0.04	0.03	0.05	0.03	(0.02)	-40.0%	-40.7%
Viability Ratio (measures relative liquidity)	1.38	1.03	0.83	0.79	0.86	0.07	8.9%	-37.6%
Primary Reserve Ratio (measures financial strength)	0.10	0.09	0.08	0.09	0.08	(0.01)	-11.1%	-17.8%
Debt Burden Ratio (measures dependence on debt)	0.03	0.03	0.03	0.04	0.03	(0.01)	-25.0%	19.0%
Debt Coverage Ratio (measures excess income to cover debt)	3.31	1.70	0.67	1.46	2.99	1.53	104.8%	-9.7%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	12.4%	12.6%	13.4%	12.3%	12.4%	0.1%	0.7%	-0.1%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Prior Year's Patient Fees	38.3%	39.2%	36.9%	19.8%	56.7%	36.9%	186.4%	48.0%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Land	$ 43.9	$ 45.4	$ 49.0	$ 51.5	$ 58.0	$ 6.5	12.7%	32.2%
Construction in Progress	261.8	341.8	297.3	375.0	381.9	6.90	1.8%	45.9%
Buildings	1,089.0	1,150.6	1,257.8	1,369.9	1,525.1	155.20	11.3%	40.0%
Improvements other than Buildings	110.8	114.0	120.7	133.1	143.5	10.40	7.8%	29.5%
Equipment	158.8	162.3	166.8	168.0	169.3	1.30	0.8%	6.6%
Library Books	61.5	62.0	62.8	65.6	67.1	1.50	2.3%	9.2%
Livestock	1.7	1.7	1.6	1.7	1.6	(0.10)	-5.9%	-4.7%
Total Capital Assets	**$ 1,727.5**	**$ 1,877.8**	**$ 1,956.0**	**$ 2,164.8**	**$ 2,346.5**	**$ 181.7**	**8.4%**	**35.8%**
Historical Cost	**$ 2,562.9**	**$ 2,700.4**	**$ 2,952.7**	**$ 3,239.6**	**$ 3,496.6**	**$ 257.0**	**7.9%**	**36.4%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Management Report

Management Report

Board of Trustees
of
Mississippi's State Institutions of Higher Learning

Introduction

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. It is important the financial positions of the eight universities, the University of Mississippi Medical Center (UMMC) and the IHL Executive Office are conveyed to the Board to assist in assessing the fiscal standing of the system's institutions.

The major sources of revenue for the system are state appropriations, tuition, patient fees (UMMC), and funding from donors and governmental entities such as contracts, grants, and endowments. Revenues from donors and governmental entities typically bring with them restrictions and/or conditions on how they are to be used. In order to comply with these restrictions and conditions, universities maintain a system of accounting known as *fund* accounting. The primary purpose of fund accounting is to provide sufficient information to monitor the funds which come into the system and make sure the funds are expended for their intended purpose.

Revenue is generated through the sale of goods and services. In the process of producing these goods and services, businesses incur expenses. The difference between revenues and expenses in university fund accounting is known as a ***Change in Net Assets*** (formally known as Change in Fund Balance). The difference between revenues and expenses in *for-profit* businesses represents the entity's profit or loss. Profit or loss is one of the primary indicators of how an entity is performing. If a university generates more revenue than it expends, it has a surplus in net assets for the year. Conversely, if expenses exceed revenues, net assets decrease (deficit) for the year. An increase or decrease in net assets, as compared to profit or loss in the private sector, is one of the prime indicators of how a university is performing financially over time.

System Overview

Mississippi's public institutions prepare financial statements in conformity with generally accepted accounting principles applicable to colleges and universities as prescribed by the GASB. The National Association of College and University Business Officers (NACUBO) provides the universities with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB.

This report, along with the accompanying highlights, consists of data compiled from audited financial statements for Fiscal Years 2004 through 2008, and supplemental data which were prepared by the individual institutions. Summary information is provided throughout the text. Additional information is provided in the "Highlights" section and in the appendices. References to the term "***System***" in this report mean the information is inclusive for all the institutions under the governance of the IHL Board of Trustees including the eight institutions, UMMC, and the IHL Executive Office. References to the terms ***"education and general funds", "E&G",*** *or* ***"institutions"*** in this report refer only to the eight universities. The eight universities include Alcorn State University (ASU), Delta State University (DSU), Jackson State University (JSU), Mississippi State University (MSU), Mississippi University for Women (MUW), Mississippi Valley State University (MVSU), University of Mississippi (UM), and the University of Southern Mississippi (USM). The appendices include specific data for each institution under the tab – ***Institutional Highlights***. The distinct institutional highlights reflect the same format as the system highlights in the front of this report. Also shown in the appendices (***Summary of Data***) are comparative data by institution for the Fiscal Year ending June 30, 2008. The E&G data contain the separately budgeted units as well. The ratio information includes ratios at the end of June for Fiscal Years 2004, 2005, 2006, 2007 and 2008. On occasion, adjustments are made to accounting records after audits have been completed. When this occurs, the corrections are reported as prior period adjustments on the financial statements. Because of lack of detail to adequately report the prior period adjustments in the correct category, prior period adjustment corrections are not reflected in this report.

The report begins with the overall view of the system by showing assets, liabilities, and net assets. The table below depicts the information as of June 30, 2007 and 2008.

Table 1: Condensed Statement of Net Assets – System Totals

Statement of Net Assets - System Totals (in millions)				
Assets	**6/30/2007**	**6/30/2008**	**Dollar Change**	**Percent Change**
Current Assets	$ 677.9	$ 784.0	$ 106.1	15.7%
Capital Assets	2,164.6	2,346.5	181.9	8.4%
Other Non-Current Assets	681.6	634.7	(46.9)	-6.9%
Total Assets	**$ 3,524.1**	**$ 3,764.6**	**$ 240.5**	**6.8%**
Liabilities and Net Assets	**6/30/2007**	**6/30/2008**	**Dollar Change**	**Percent Change**
Liabilities				
Current Liabilities	$ 219.6	$ 271.1	$ 51.5	23.5%
Non-Current Liabilities	742.1	746.4	4.3	0.6%
Total Liabilities	**$ 961.7**	**$ 1,017.5**	**$ 55.8**	**5.8%**
Net Assets	2,562.4	2,747.1	184.7	7.2%
Total Liabilities and Net Assets	**$ 3,524.1**	**$ 3,764.6**	**$ 240.5**	**6.8%**

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements

Assets – An asset is something an institution owns which is expected to provide a benefit in the future. Financial statements divide assets of an entity between current and non-current assets. Current assets are typically assets which will be consumed within one year. Some examples would include cash, short-term investments, accounts receivables, and inventories. Capital assets, segregated from the other non-current assets for purposes of this management report, include land, buildings, improvements other than buildings, construction-in-progress, equipment, library books and journals, and, in some cases, livestock. Typical non-current assets, other than capital assets, would include long-term investments and notes receivables.

On June 30, 2008, the system had in total over $3.7 billion in assets as compared to $3.5 billion on June 30, 2007, an increase of approximately $241 million. Although not detailed in the table, some of the most significant increases in assets were in capital assets ($182 million) and Cash and Cash Equivalents ($131 million). Chart 1 depicts the total adjusted assets for the system as they existed on June 30, 2008. Assets as of the reporting date are a snapshot at that point in time.

Chart 1: System Assets – June 30, 2008

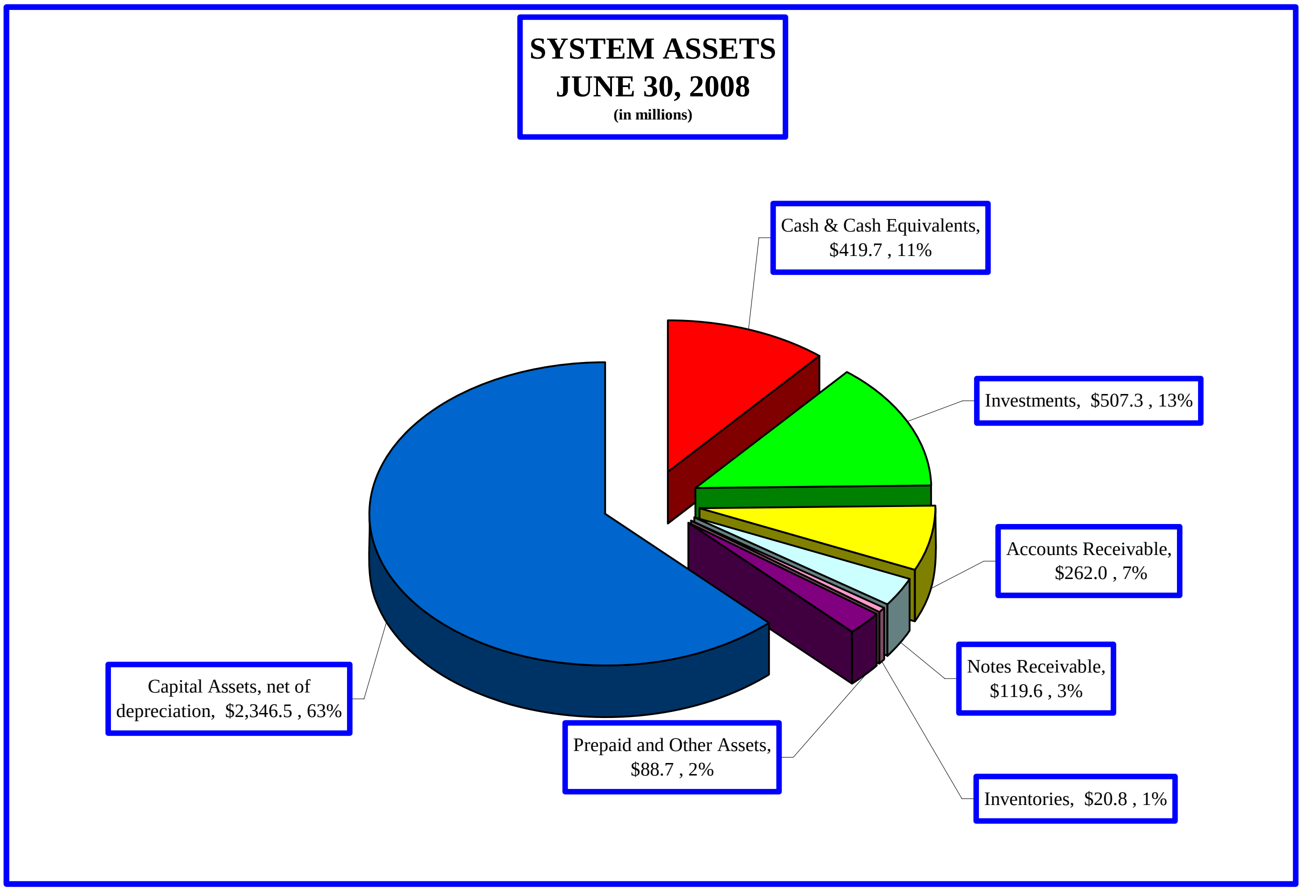
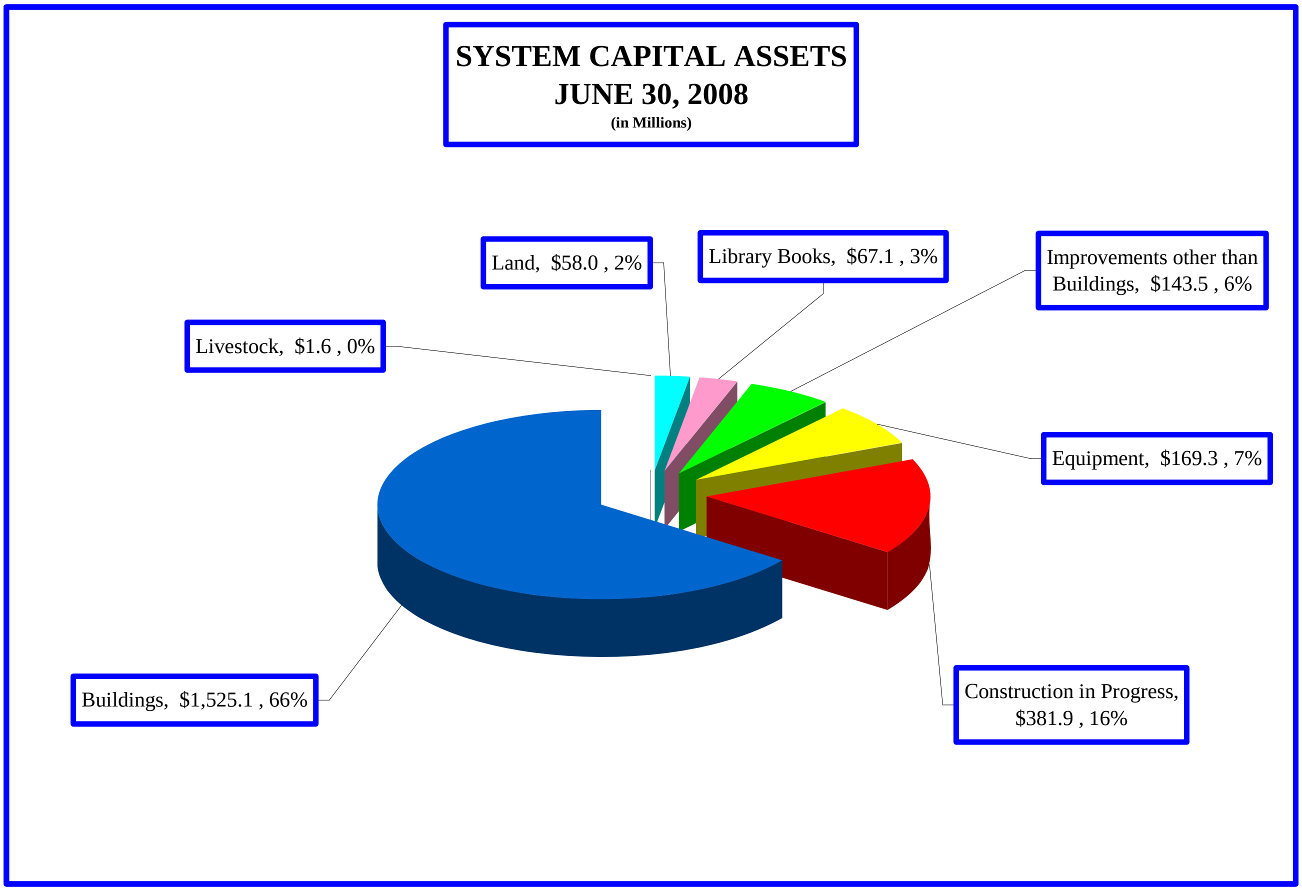


Chart Total: $3,764.6 Million

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements
Numbers may not total due to rounding

Capital assets on June 30, 2008, the largest percentage of total assets for the system, had a value of almost $2.4 billion, totaling 63% of the assets. Capital assets are shown net of depreciation while original cost nearly totaled $3.5 billion. Buildings make up the largest proportion of the capital assets at almost $1.5 billion (66 percent of Capital assets). The second largest component of capital assets is Construction-in-Progress at $382 million (16% of Capital assets). See Chart 2. It is common for universities to have buildings in various stages of completion on campus. Costs incurred at the financial statement date for new buildings or other assets under construction are booked as Construction-in-Progress. When the construction is complete, the asset will be reclassified to the more appropriate classification; i.e., Buildings. Chart 2 depicts the makeup of these capital assets for the system as of June 30, 2008.

Chart 2: System Capital Assets – June 30, 2008

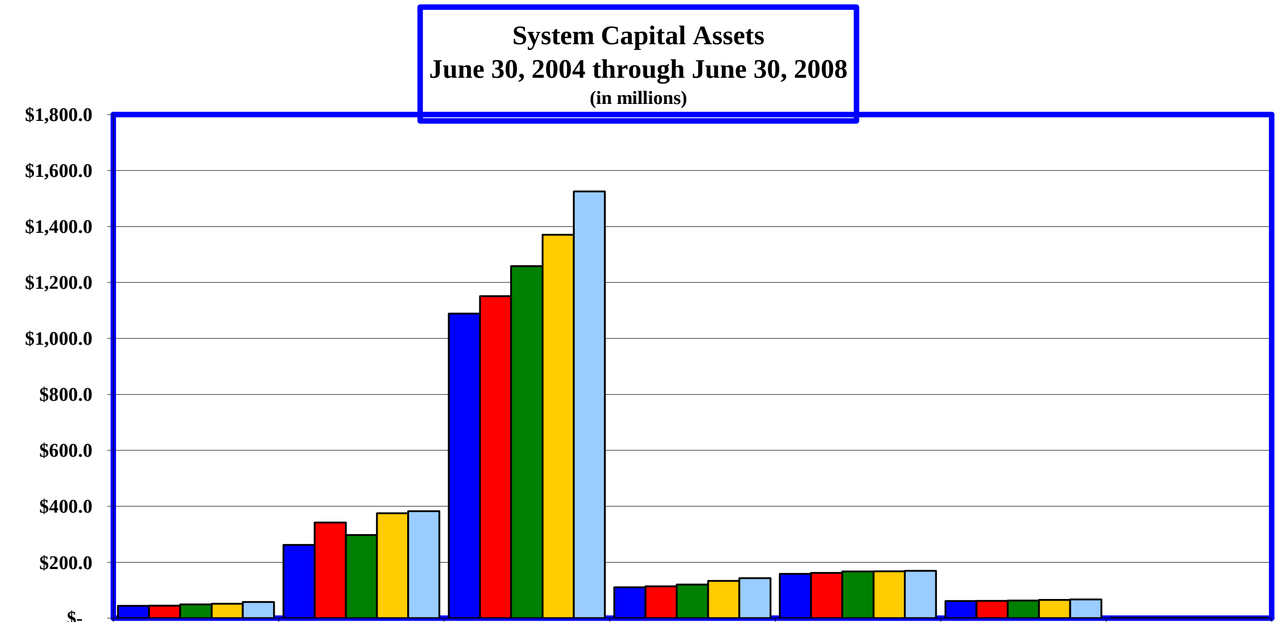


<u>**Chart Total: $2,346.5 Million**</u>

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements
Numbers may not total due to rounding

Chart 3 shows the growth of capital assets over time. The system has invested over $436 million in buildings since fiscal year 2004. On June 30, 2008, another $382 million was in various stages of construction. This on-going growth can be the result of new buildings or renovations to existing buildings.

Chart 3: System Capital Assets – June 30, 2004 through June 30, 2008



	Land	Construction in Progress	Buildings	Improvements other than Buildings	Equipment	Library Books	Livestock
FY 2004	$43.9	$261.8	$1,089.0	$110.8	$158.8	$61.5	$1.7
FY 2005	$45.4	$341.8	$1,150.6	$114.0	$162.3	$62.0	$1.7
FY 2006	$49.0	$297.3	$1,257.8	$120.7	$166.8	$62.8	$1.6
FY 2007	$51.5	$375.0	$1,369.9	$133.1	$168.0	$65.6	$1.7
FY 2008	$58.0	$381.9	$1,525.1	$143.5	$169.3	$67.1	$1.6

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements
Numbers may not total due to rounding

Liabilities – Liabilities are claims on an institution's resources. Liabilities are also divided into current and non-current classifications. Current liabilities are debts and/or obligations the institutions will have to satisfy within one year. These include Accounts Payables, Accrued Liabilities, Deferred Revenues, and other short-term obligations. Non-current liabilities (including Debt, Accrued Leave, and other payables) are obligations of an institution which will not become due and payable within the upcoming fiscal year.

Chart 4 reflects the total adjusted liabilities of the system. Liabilities increased to $1,017.5 million on June 30, 2008 from $961.7 million on June 30, 2007, an increase of $56 million. The main increase was in Accounts Payables and Accrued Liabilities ($17 million). Deferred Revenues also increased almost $12 million.

Chart 4: System Liabilities – June 30, 2008

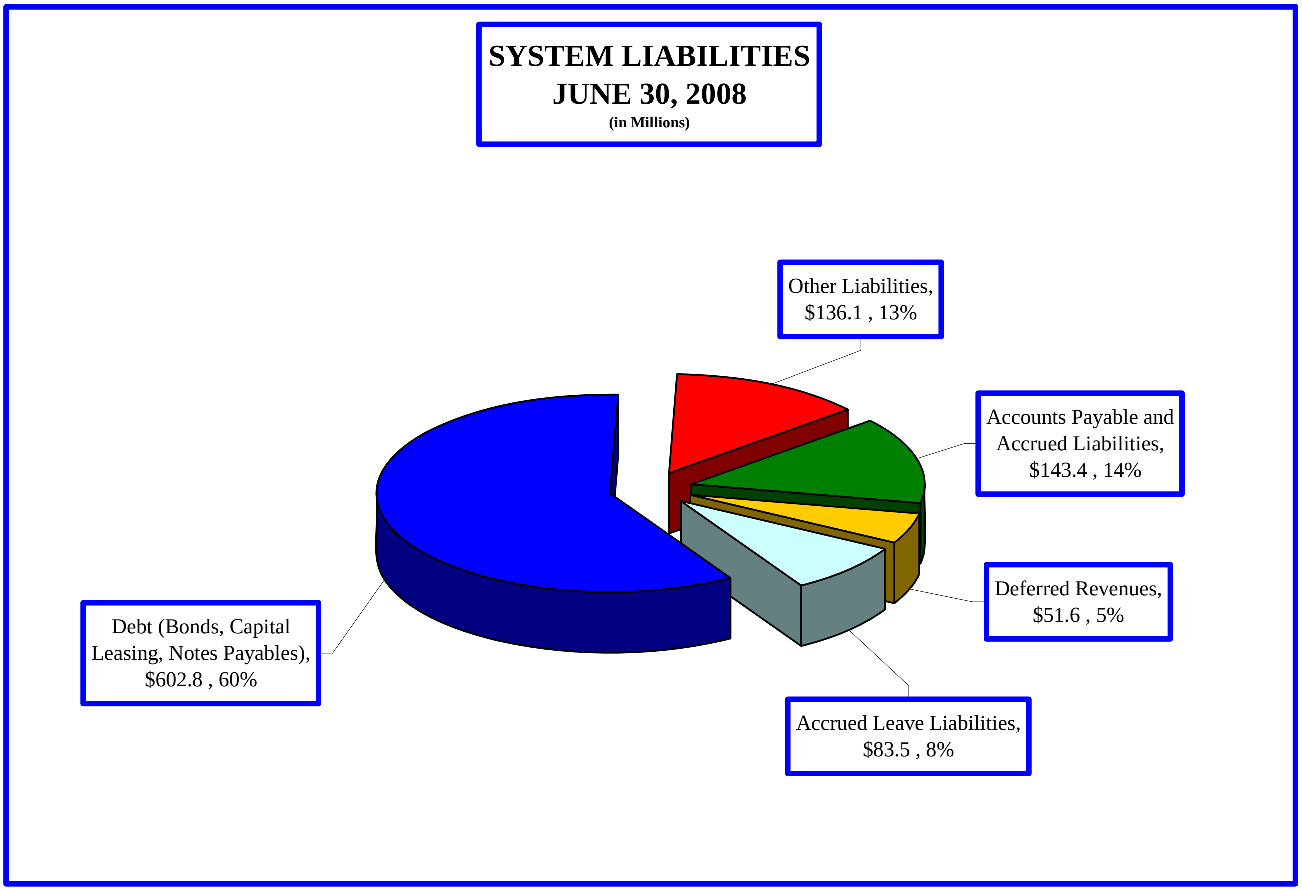


Chart Total: $1,017.5 Million

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements
Numbers may not total due to rounding

The overall capital debt of the system increased slightly by $400,000, or 0.1%, from June 30, 2007 to June 30, 2008. Capital debt, at 60%, is the largest component of the liabilities. Capital debt, in general, will be discussed in a later section of this report.

Net Asset

The difference between assets and liabilities in a "for-profit" business is referred to as owner's equity. If a business were to sell all of its assets and pay all claims against the business, the amount remaining would be the owner's claims on the resources of the business. In a non-profit organization, the difference between assets and liabilities has traditionally been referred to as a fund balance. However, after implementation of GASB 34 and 35, the difference between assets and liabilities is now referred to as *net assets*. Net assets are divided into four categories:

- Investment in Capital Assets;
- Restricted Non-Expendable;
- Restricted-Expendable; and
- Unrestricted.

Almost $2.8 billion of net assets in 2008, reflected in Chart 5, represent the net accumulation of the universities' assets over a period of time. Investment in Capital Assets, net of debt, (63 percent), is the largest portion of net assets, consisting of land, buildings, books and journals, improvements, equipment, and livestock owned by the institutions.

Beginning in Fiscal Year 2002, universities were required to present their capital assets net of accumulated depreciation for the first time on their balance sheets. Although accumulated depreciation significantly reduced the book value of capital assets of the institutions, it did not represent a change in the financial health of the institution. For private companies, depreciation represents the cost of depleting equipment and other plant assets. In public higher education, most of the buildings and a significant part of the equipment is paid for by governmental appropriations or private gifts. Therefore, these universities have a source of financing replacement of depleted buildings and equipment not available to private business.

Restricted Net Assets (net of related liabilities) are restricted for specific purposes by external entities, either government agencies or private donors. Only *external* entities can *restrict* the use of dollars at the institutions. These funds *must* be segregated in the accounting records and are divided into two categories – Expendable and Non-Expendable. Expendable Net Assets consist of assets which legally could be used for operations or plant expenditures only if so stated in their purpose. Restricted – Expendable Net Assets made up 12 percent ($321 million) of the total net assets on June 30, 2008. Non-Expendable Net Assets, such as an endowment fund, cannot be spent for operations and must be held in perpetuity. Non-Expendable Net Assets made up 4 percent ($102 million) of the system's net assets on June 30, 2008.

Unrestricted Net Assets (net of related liabilities) can be spent at the discretion of the institution as long as the university has Board of Trustees' approval. Unrestricted Net Assets give universities more flexibility than restricted net assets. Unrestricted Net Assets made up 21% of total net assets on June 30, 2008, an increase of $73 million from June 30, 2007, making a total of $564 million.

Net assets, shown in Chart 5, are an important indicator of the financial health of an institution. There was an overall increase ($185 million) in the net assets of the system during the year ending June 30, 2008. The largest increase was in Investment in Capital Assets ($156 million). Restricted-Expendable net assets decreased by almost $56 million.

Chart 5: System Net Assets – June 30, 2008

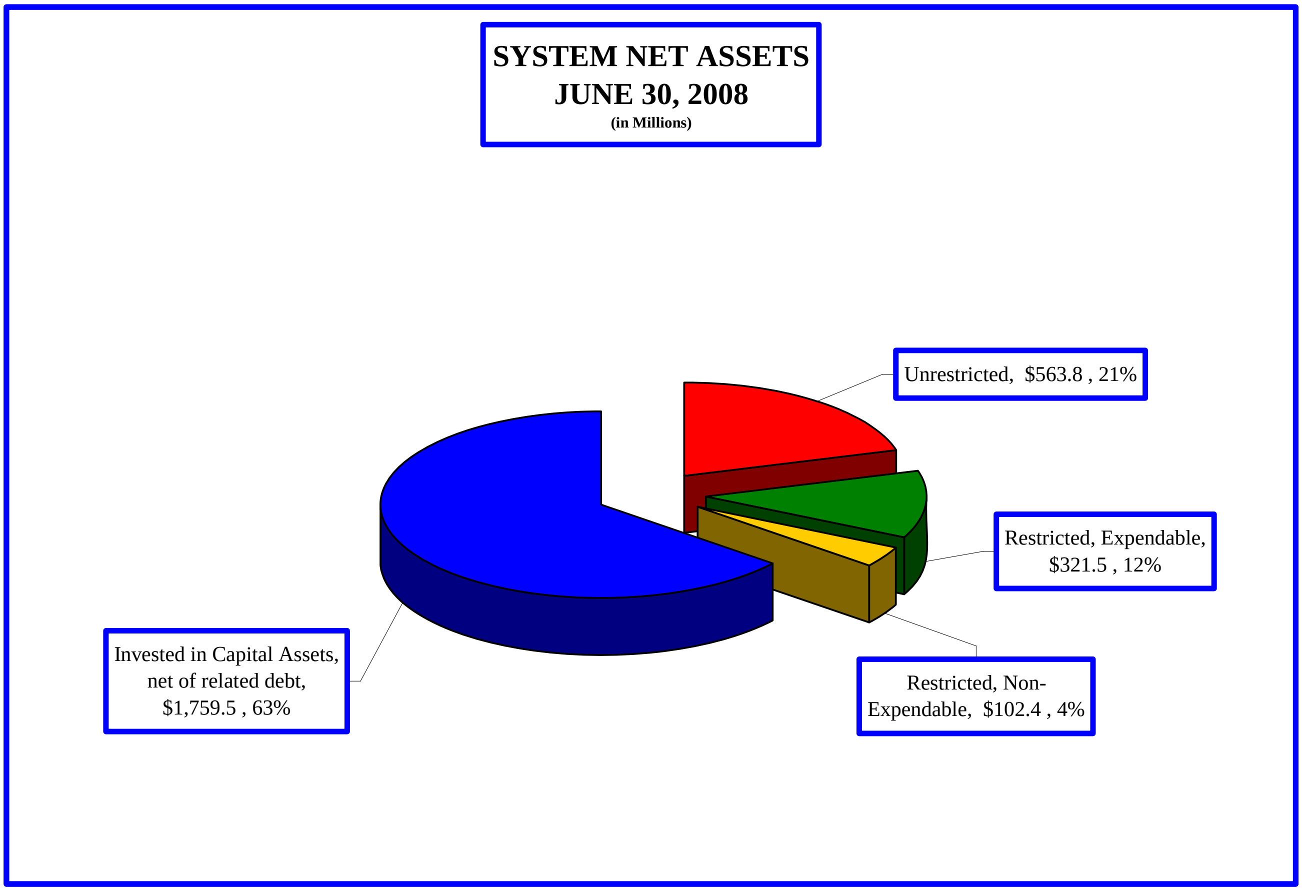


Chart Total: $2,747.2 Million

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements
Numbers may not total due to rounding

Public universities receive two major types of funds from the state – capital and core operations. Capital funds are state appropriations restricted for capital projects. These funds are for new buildings and/or renovation of existing buildings. Funds designated for capital projects cannot be used for operational expenses such as salaries and fringe benefits. It can appear a university is increasing its equity and should have more resources available to expend for operations; however, this may not be the case.

Increases in equity *exclusively* due to increases in the value of land, buildings, and equipment do not give the university added flexibility with respect to operations. On the other hand, if a university uses funds it generates through operations to purchase land, buildings, and equipment, it could decide to reallocate these funds for alternative uses. University land and/or buildings typically cannot be sold to generate funds to be used for other purposes since the land is deemed to be owned by the state, the sale of which is restricted by state law.

System Revenues

A broad range of revenue sources are necessary to support the institutions. In Fiscal Year 2008, the system received revenues of almost $2.68 billion (see Chart 6). The major sources of system revenues were:

- Tuition and Fees (net);
- State Appropriations – Core Operations;
- State Appropriations – Capital Operations;
- Grants and Contracts;
- Auxiliary Enterprises (net);
- Patient Fees;
- Sales and Services;
- Investment Income; and
- Other Revenues and Fees.

State Appropriations, for both general operations and capital projects (32%), and Grants and Contracts (25%) make up the largest percentages of revenue for the system for Fiscal Year 2008. Grants and Contracts include revenues from federal, state, and local agencies and private sources which are for specific research projects, training programs, student financial aid, and similar activities. Although contracts and grants add revenue to the system, they are an added burden on the administrative support offices. Grants and Contracts revenue was actually down $56 million for Fiscal Year 2008. This was primarily due to the discontinuation of a $90 million federal grant program to aid in the recovery from Hurricane Katrina (FY 2006). State Appropriations for core operations ($780 million) increased substantially ($98 million) during FY 2008. Most of this increase was directed towards much needed salary and wage increases for IHL System faculty and staff.

In Fiscal Year 2008, Net Tuition and Fees made up 12% of total revenues, or $328 million. Net Tuition and Fees are shown net of scholarship allowances of $107 million. Certain aid such as loans, funds provided to students as awarded by third party payments, and Federal Direct Lending is accounted for as a third party payment and is credited to the student's account as if the student made the payment, thereby reducing tuition revenue as reflected on the financial statements. These third party payments are presented as a reduction in tuition revenue in the financial statements since these revenues are shown as revenue in other categories and cannot be counted twice.

Patient Fees (20%), a large portion of system revenue, is limited to UMMC. Auxiliary Enterprises make up 6% of total revenue. Other income includes Additions to Permanent Endowments, and Other Operating and Non-operating Additions and Revenues. Chart 6 depicts the system revenue categories by amounts and percentages for Fiscal Year 2008.

Chart 6: System Revenues - Fiscal Year 2008

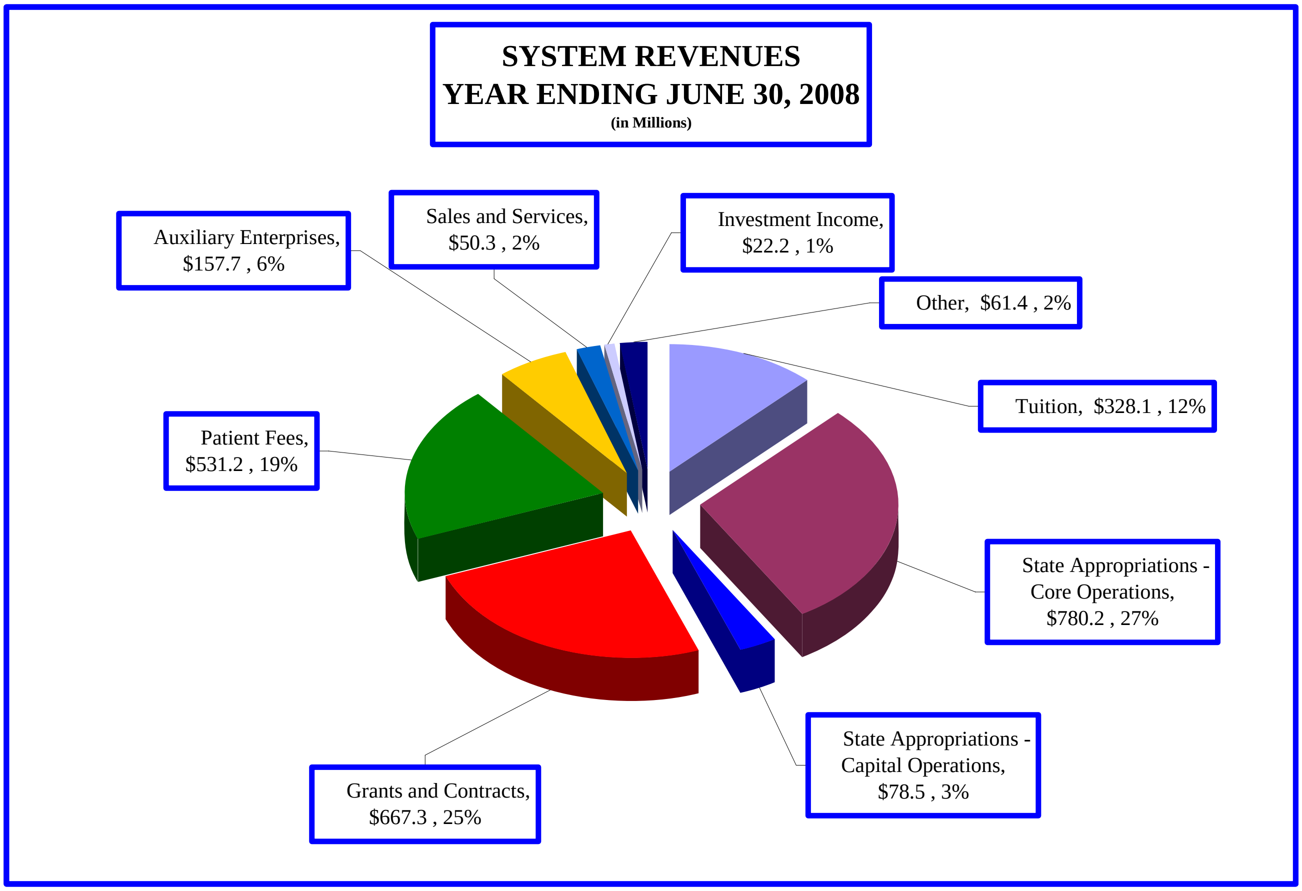
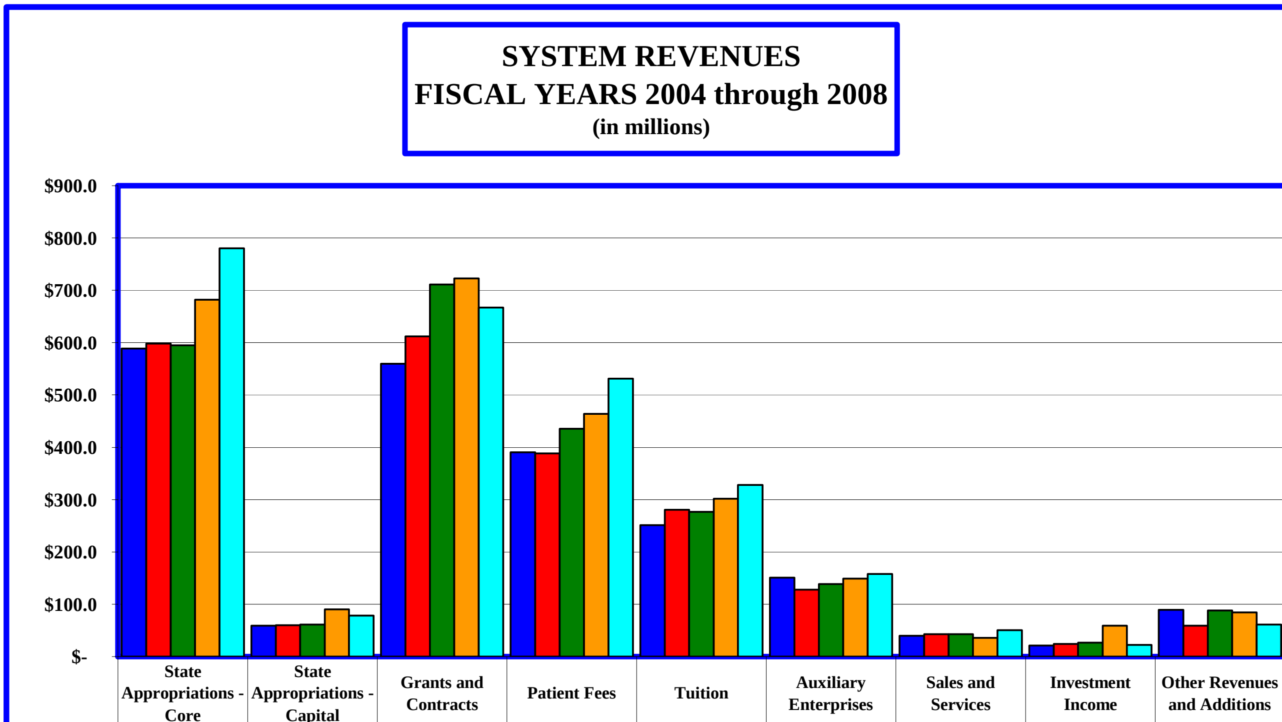


Chart Total: $2,676.9 Million

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements
Numbers may not total due to rounding

Chart 7: System Revenues Trend - Fiscal Years 2004 – 2008



	State Appropriations - Core	State Appropriations - Capital	Grants and Contracts	Patient Fees	Tuition	Auxiliary Enterprises	Sales and Services	Investment Income	Other Revenues and Additions
FY 2004	$588.7	$59.2	$559.9	$390.6	$251.2	$151.0	$40.1	$20.9	$89.4
FY 2005	$598.4	$60.2	$612.2	$388.4	$280.7	$128.2	$42.8	$24.0	$59.2
FY 2006	$594.8	$61.3	$711.1	$435.3	$276.6	$138.4	$43.1	$26.6	$88.2
FY 2007	$682.2	$90.1	$723.0	$463.9	$301.4	$149.0	$36.1	$59.0	$84.6
FY 2008	$780.2	$78.5	$667.3	$531.2	$328.1	$157.7	$50.3	$22.2	$61.4

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements

Grant and contract revenues have increased $107 million since Fiscal Year 2004. State Appropriation revenues for core operations have increased $191 million since Fiscal Year 2004. Net Tuition revenues have increased almost $77 million since Fiscal Year 2004. The UMMC patient revenues have increased $141 million over this same time period.

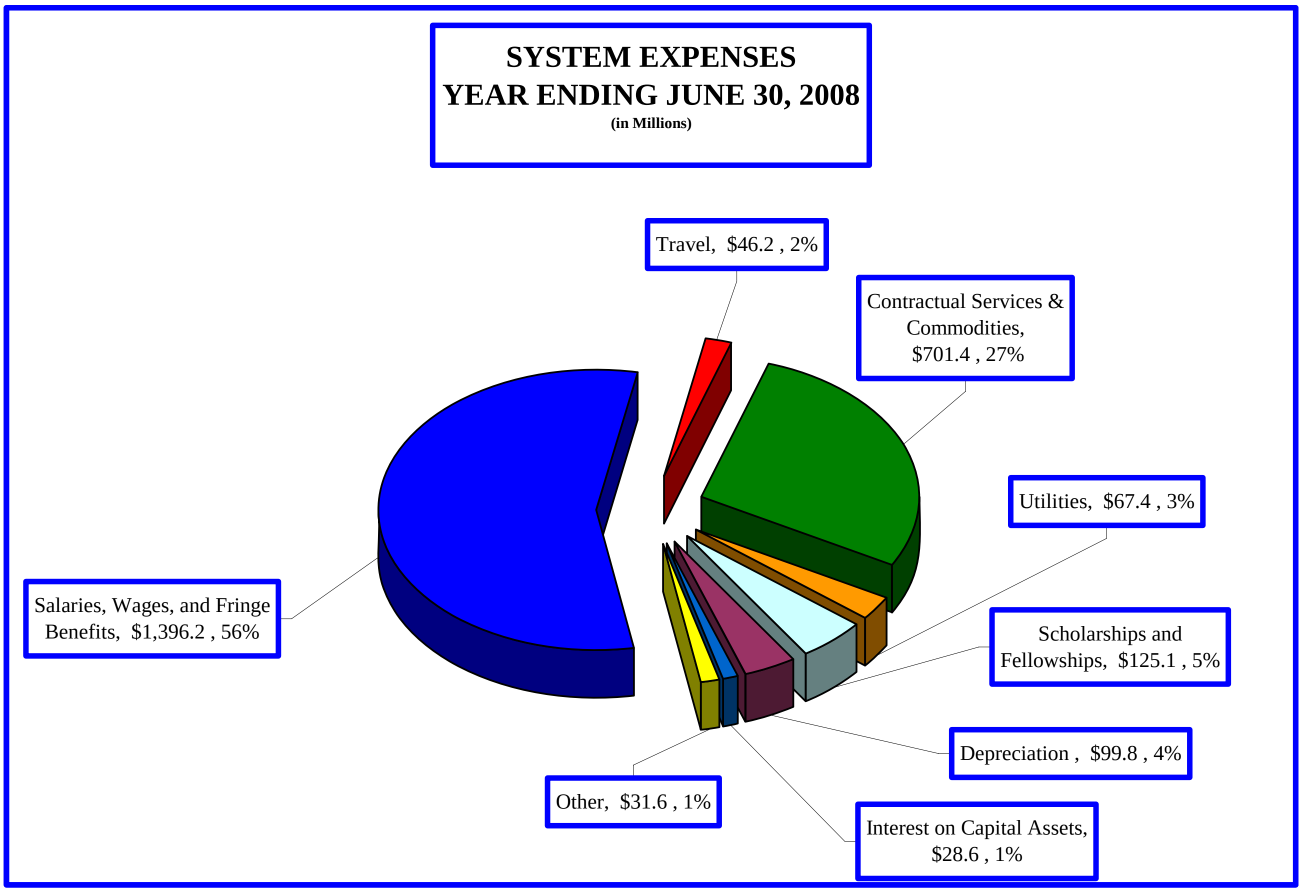
System Expenses

In Fiscal Year 2008 the system expended approximately $2.50 billion. The expenses of the system include:

- Salaries, Wages, and Fringe Benefits;
- Travel;
- Contractual Services and Commodities;
- Utilities;
- Scholarships and Fellowships;
- Depreciation Expense;
- Interest Expense on Capital Assets; and
- Other Operating Expenses and Deductions.

Almost $1.4 billion (56%) of these dollars were spent on salaries and fringe benefits, up $116 million from Fiscal Year 2007. Commodities and Contractual Services made up approximately 28% of the expended dollars ($702 million). Commodities and Contractual Services increased $11 million during the year. Contractual Services are expenses spent on non-tangible items such as utilities, telephone services, and postage. Scholarships and Fellowships (5%) listed as operating expenses represent the portion of aid provided by the institution to the student in the form of cash and reduced tuition. This category of institutionally sponsored aid is different from the third party aid deducted from tuition revenue. Scholarship and Fellowship expenses actually decreased $20 million during Fiscal Year 2008. Utilities expense for the System experienced another annual increase during Fiscal Year 2008, up $6 million. Chart 8 depicts the breakout of system expenses for Fiscal Year 2008.

Chart 8: System Expenses – Fiscal Year 2008

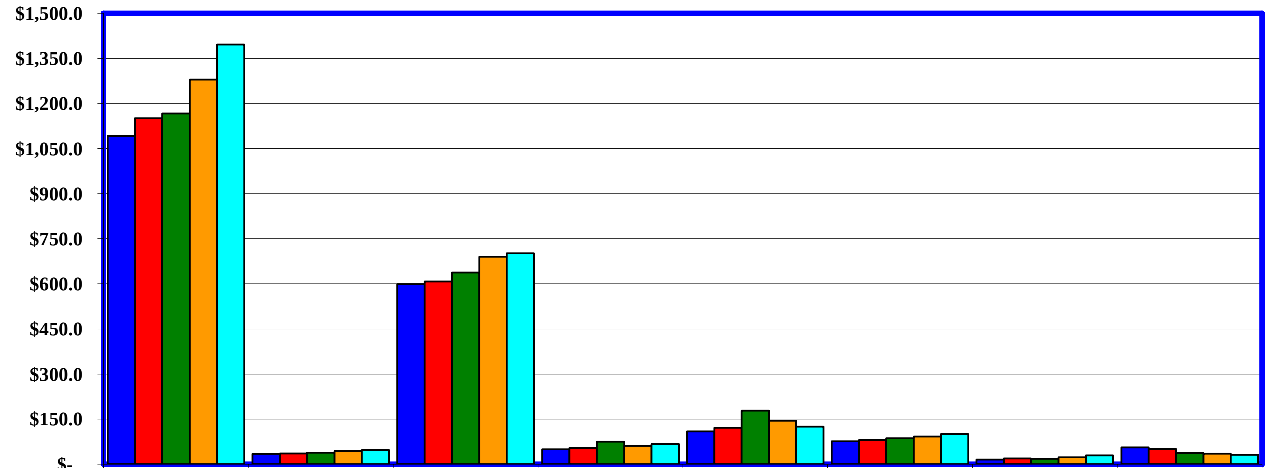


<u>**Chart Total: $2,497.1 Million**</u>

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements
Numbers may not total due to rounding

Chart 9: System Expenses - Fiscal Years 2004 - 2008

SYSTEM EXPENSES
FISCAL YEARS 2004 through 2008
(in millions)



	Salaries, Wages and Fringes	Travel	Contractual Services & Commodities	Utilities	Scholarships and Fellowships	Depreciation	Interest on Capital Assets	Other
FY 2004	$1,092.3	$34.6	$598.8	$49.3	$109.4	$76.3	$15.4	$55.7
FY 2005	$1,150.4	$35.9	$607.9	$54.0	$121.4	$80.3	$18.7	$50.3
FY 2006	$1,167.1	$38.4	$637.2	$74.6	$178.2	$86.3	$18.0	$37.2
FY 2007	$1,279.7	$43.1	$690.4	$61.2	$145.1	$92.2	$23.2	$35.0
FY 2008	$1,396.2	$46.2	$701.6	$67.4	$125.1	$99.8	$28.6	$31.6

Source: Compiled by Mississippi Institutions of Higher Learning from audited financial statements

As noted in Chart 9, salaries, wages and fringes have increased by $304 million since fiscal year 2004. Almost all of these increases were experienced during the past two years (2007 and 2008). Prior to 2007, the last significant comprehensive pay increase for IHL System faculty and staff was in Fiscal Year 2000. The other two areas of substantial increase are contractual services and commodities ($103 million) and utilities expense ($18 million).

Education and General (E&G) Funds

The preceding section addressed *all* resources of the institutions, specifically all restricted or unrestricted funds at the institutions. The following analyses focus only on the education and general (E&G) funds for the eight institutions. E&G funds are unrestricted funds allowing institutions more discretion in spending. E&G funds include the annual allocation of state appropriations made by the Board of Trustees. These funds also include the separately budgeted units at the campuses.

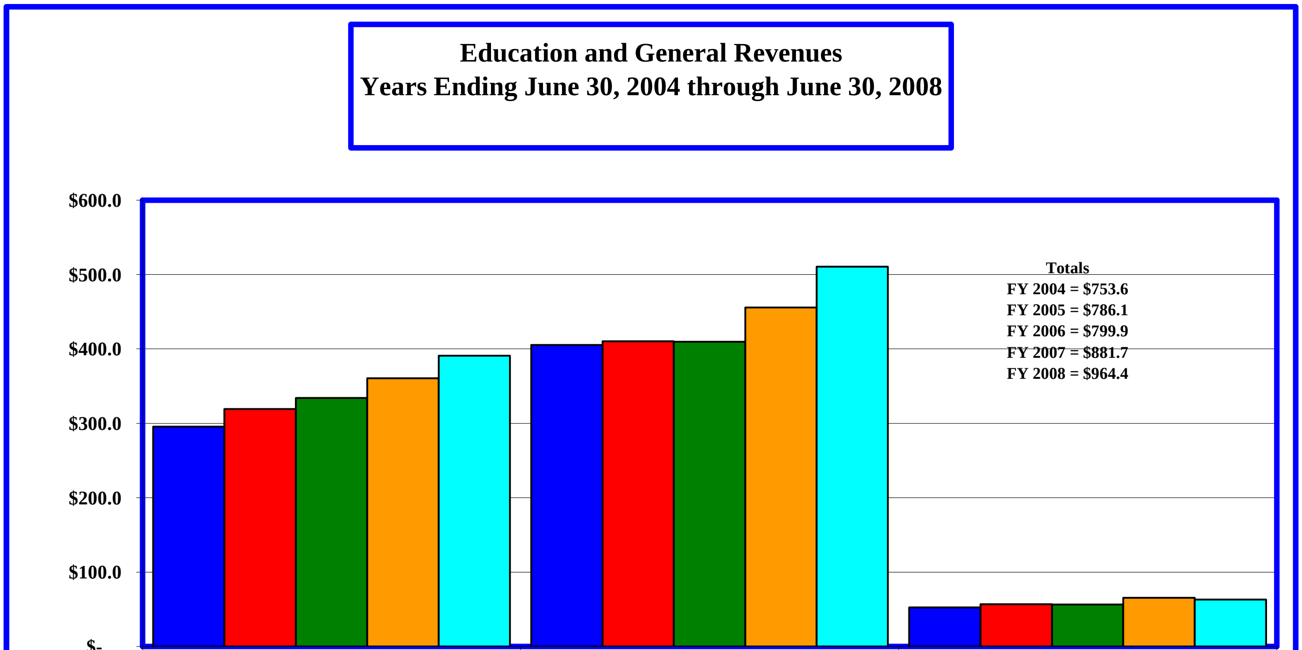
Fund accounting is used to segregate revenues by use, such as education and general, auxiliary funds, externally restricted funds, plant funds, etc. For Fiscal Year 2008, 93% of E&G revenue came from two sources – tuition (41%) and state appropriations (53%). Five-year trends of revenues and expenditures of E&G funds are presented in Charts 10 and 11, respectively.

Education and General Revenues

Total revenue in the E&G funds for Fiscal Year 2008 was $964.4 million, up from $881.7 million from Fiscal Year 2007 and $799.9 million from Fiscal Year 2004. As stated above, the E&G revenue comes from two basic sources – tuition and state appropriations. The bar chart (Chart 10) shows that revenue from tuition has increased over the five-year period. For Fiscal Year 2008, tuition was up $30.5 million over the previous year. Increases were a result of a combination of enrollment ***and*** tuition increases. E&G State appropriations increased significantly in Fiscal Year 2008 ($54.8 million or 12.0%). This was the second consecutive significant increase the IHL institutions have received in many years.

Other revenues include, but are not limited to, unrestricted contracts and grants, recoveries of indirect (F&A) cost, endowment income, sales and services of educational activities, and other sources. A five-year summary of revenues by institution is included in the appendices (***Summary of Data***).

Chart 10: Five-Year Summary of E & G Revenues (in millions) – Institutions – Fiscal Years 2004 to 2008



	Tuition	State Appropriations	Other Revenues
FY 2004	$295.6	$405.5	$52.4
FY 2005	$319.2	$410.2	$56.7
FY 2006	$334.0	$409.6	$56.3
FY 2007	$360.5	$455.7	$65.5
FY 2008	$391.0	$510.5	$62.9

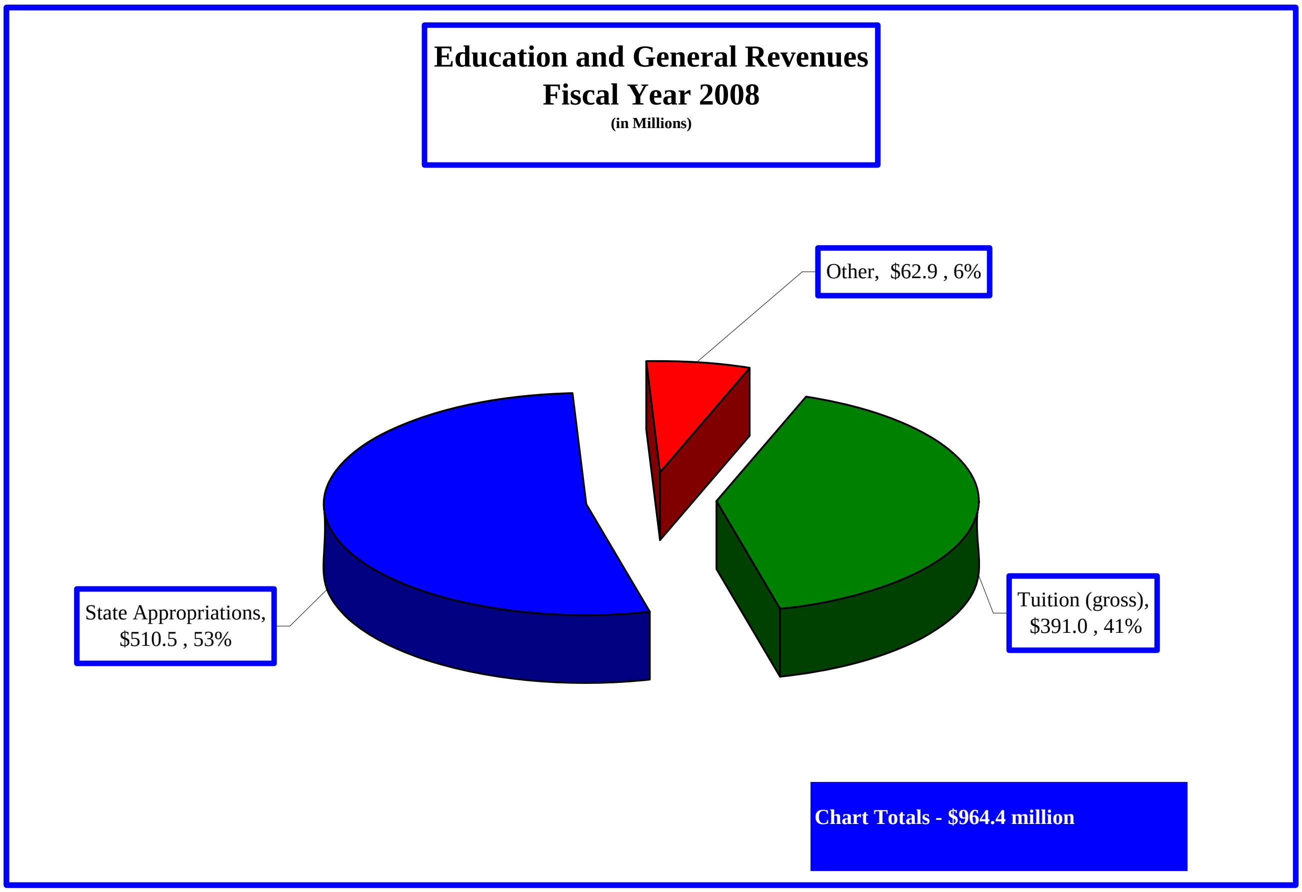
Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions
Numbers may not total due to rounding

When revenue dollars are held constant using 2004 dollars as the base year, the purchasing power of the revenue generated for Fiscal Year 2008 ($964.4 million) was equivalent to $817.9 million (see ***Financial Highlights – Education and General*** in front of document). Even though the actual dollars increased 28.0% over the five year period, the buying power of the revenue as measured by HECA actually only increased 14.6%. The buying power of revenue generated dollars per FTE student for Fiscal Year 2008 was $13,798, compared to FTE student revenue in fiscal year 2004 of $12,598, a gain of $1,200 per student FTE. The FTE student information takes into consideration enrollment growth, increase in revenue, and inflation.

Constant dollars information was calculated using the Higher Education Cost Adjustment (HECA). HECA measures inflation within the higher education industry. The HECA index is calculated by SHEEO (State Higher Education Executive Officers), which is constructed from two federally-developed price indices. They are based on two components – Employment Cost Index (ECI) and growth in the Gross Domestic Product (GDP) Implicit Price Deflator. Since faculty and staff salaries account for roughly 75% of college and university expenditures, HECA is based on 75% of the Employment Cost Index (ECI) and 25% of the growth in GDP Implicit Price Deflator.

The following chart shows the relative percentages of revenue in the general fund for Fiscal Year 2008.

Chart 11: Education & General Revenues (in millions) – Institutions – Fiscal Year 2008

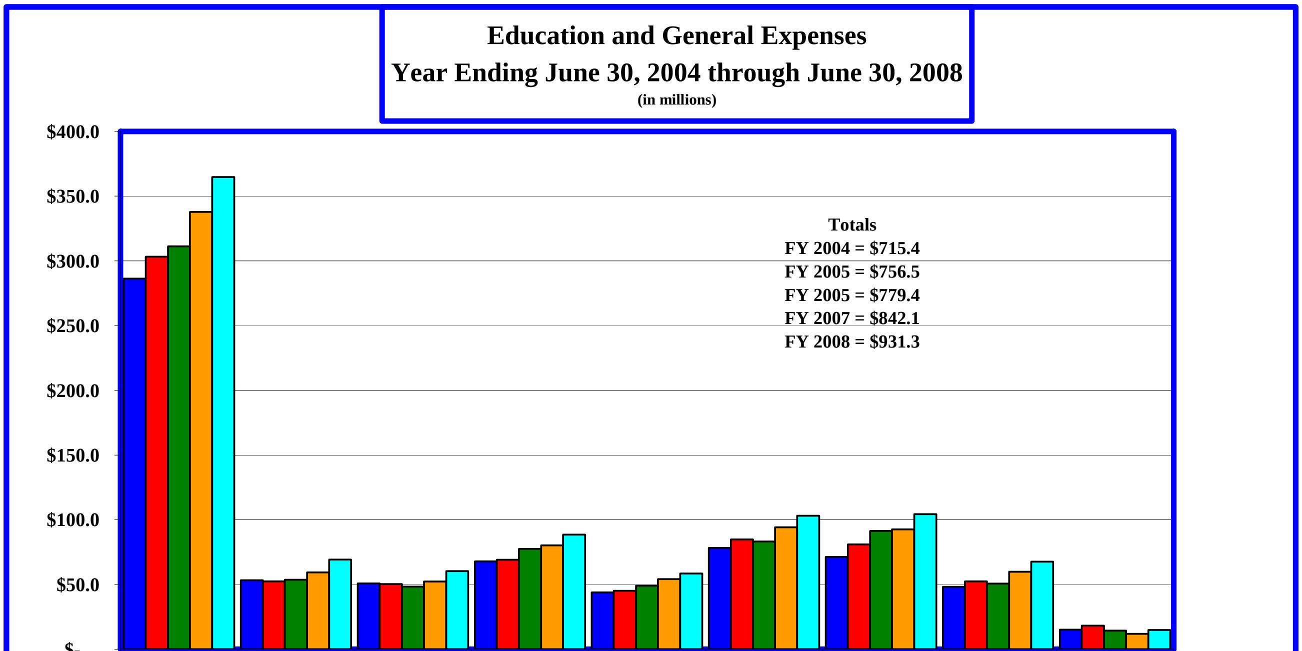


Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions
Numbers may not total due to rounding

Education and General Expenditures

E&G expenditures provide financial support for the basic academic and support operations of the institutions. Instruction, research, public service, academic support, student services, and scholarships make up approximately 75% of E&G funds. Approximately 39% of the expenses in the E&G fund were spent directly on the instruction function, up $26.9 million (8.0%) from the previous year. Expenses for technology and utilities have been major cost drivers over the past few years. Chart 12 portrays the five-year history of the institutional expenditures by functions for the eight institutions, excluding UMMC information.

Chart 12: Five Year Summary of E & G Expenses (in millions) – Institution – Fiscal Years 2004 to 2008



	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation & Maintenance	Scholarships & Fellowships	Other & Mandatory Transfers
FY 2004	$286.4	$53.3	$50.8	$67.9	$44.0	$78.3	$71.4	$48.2	$15.1
FY 2005	$303.1	$52.4	$50.2	$69.1	$45.2	$84.8	$81.0	$52.5	$18.2
FY 2006	$311.3	$53.6	$48.3	$77.6	$49.1	$83.2	$91.4	$50.6	$14.3
FY 2007	$337.8	$59.3	$52.3	$80.2	$54.1	$94.2	$92.6	$59.8	$11.8
FY 2008	$364.7	$69.2	$60.4	$88.6	$58.4	$103.1	$104.3	$67.7	$14.9

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions
Numbers may not total due to rounding

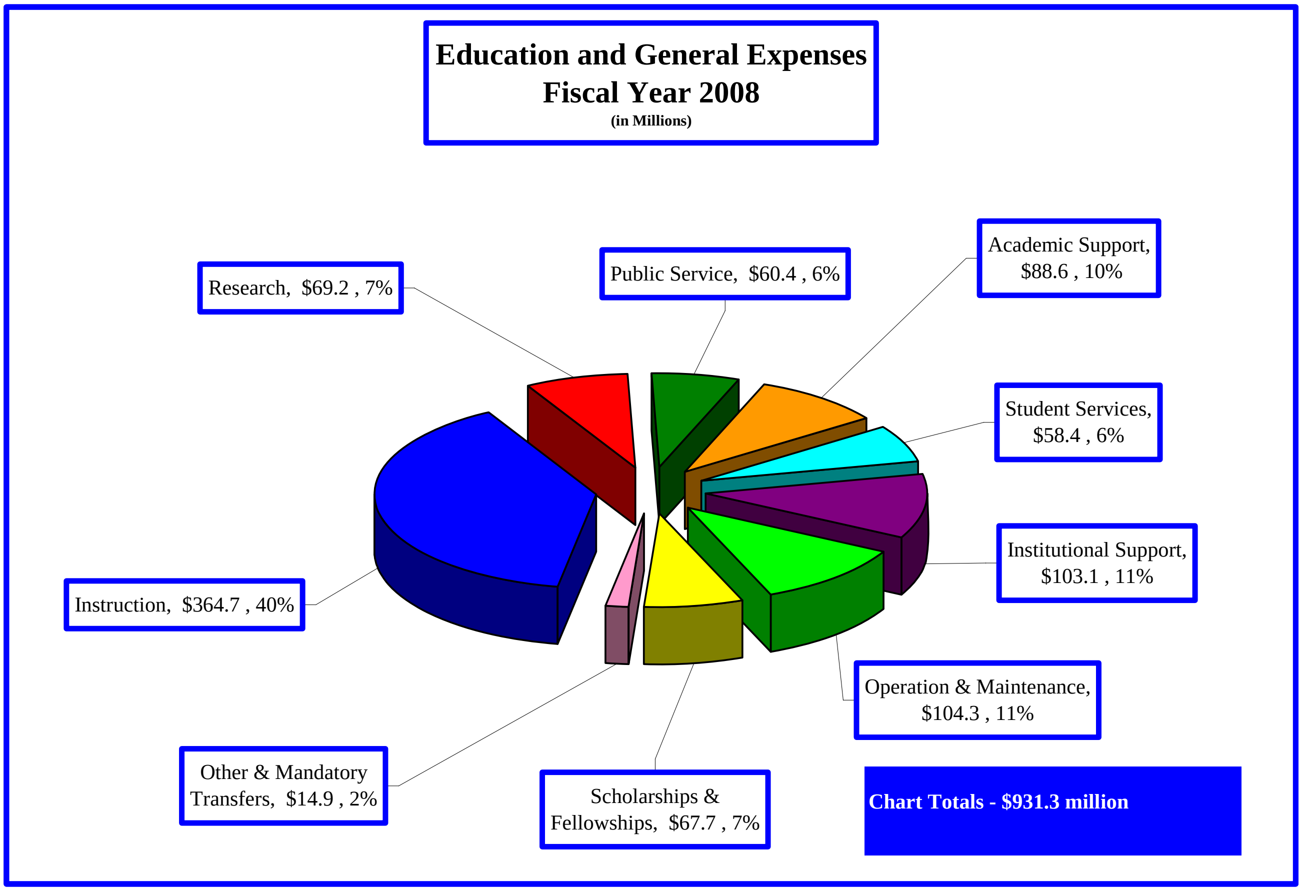
In Fiscal Year 2008, 39.2% of E&G expenditures were spent on Instruction. In five years, the institutions have increased their level of Instruction spending by $21.7 million, or 27.3%. In Fiscal Year 2004, 10.0% of E&G expenditures were spent on Operation and Maintenance (O&M) Expenses. In Fiscal Year 2008, O&M expenses represent 11.2% of the total dollars spent. Cost of energy has substantially increased. Additionally, in Fiscal Year 2004, 10.9% of E&G expenditures were spent on Institutional Support Expenses. In fiscal year 2008, Institutional Support continues to demand 11.1% of these dollars. Institutional Support includes the expenses for the offices of the institutional executive officer, vice presidents, and the business support functions, including accounting, human resources, purchasing, etc., providing administrative services to *all* funds – general, auxiliary, designated, restricted, loan, endowment, plant, and agency funds. Operation and Maintenance and Institutional Support do not support just the E&G fund. Therefore, as the other funding areas grow, more demand is placed on these functional units. E&G expenditures increased approximately $215.9 million over the five year period, placing more demands on institutional support and operation and maintenance.

Contracts and grant revenues increased approximately $91.1 million over the five-year period for a total of $596.6 million in revenues in Fiscal Year 2008. Contracts and grant-related business functions are more complex and laborious because of external restrictions and requirements, such as documentation and reporting. Accordingly, the institutions' overall business operations were impacted. Additionally, there were over $275.0 million dollars in student Federal Loan Program funds handled as balance sheet items which require staff support. In other words, these particular funds do not show up as expenses but are still managed by the institutions' support staff. This represents over $363.6 million, plus construction funds, the institutions must manage. Holding costs relatively steady indicate efficiency as staff manages more business.

Expenses also include transfers which are exchanges between funds. Mandatory transfers are legally or contractually required transfers of resources to other funds – such as required transfers to the Plant Funds for Retirement of Indebtedness to provide for debt service or cost-sharing (matching) requirements on restricted funds. These are reflected in this report. Other transfers are institutional decisions and are not considered expenses in this management report but are shown in the financial statements.

When 2004 expenditure dollars are held constant, the purchasing power in Fiscal Year 2008 was $789.9 million, an increase of $112.1 million from the purchasing power in 2004. The FTE expenditures per student for Fiscal Year 2004 were $11,960, compared to $13,325 per FTE in Fiscal Year 2008, holding dollars constant. This is an increase of $1,365 per FTE student.

Chart 13: Education and General Expenses (in millions) – Institution – Fiscal Year 2008



Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions
Numbers may not total due to rounding

The five-year expenditure summary by each institution is included in the appendices (***Summary of Data***). Also included in the appendices (***Summary of Data***) are the dollars per function, the pro-rata share of each function to the whole, and the change per year by function.

Financial Ratios and Trends

There are a variety of ways to measure the financial health of an institution. A standard way is through the use of ratio analyses. A ratio has value only if compared to itself over time or to another institution of similar size and mission. "However, no single ratio or set of ratios will ever provide all the answers to all the questions one may ask. Their strength, however, lies in developing at least tentative answers to some basic questions, and serving as an indicator of the need for further analysis." (Kenton. J.D., *Presentation and Analysis of Financial Management Information*, p. 22).

Financial ratios for the eight institutions are included in the appendices *. Several ratios were selected to measure various aspects of performance and health which should be of interest to the Board of Trustees, including liquidity (Current Ratio), financial performance (Net Operating Ratio), financial strength (Viability Ratio and Primary Reserve Ratio), and debt capacity (Debt Burden Ratio). Liquidity measures the institution's ability to cover its short-term obligations. Performance ratios measure whether the institutions are taking in more revenue than they are spending. Financial strength ratios measure the ability to pay long-term capital debt. It also measures how long an institution could operate without depending on revenues from current operations. Debt capacity measures the percentage of current operating dollars spent on debt payments and how much is available to cover the debt. Other relationships are presented which measure receivable activities. These relationships are provided to reveal how well the institutions are managing the collection processes.

** The Institutional average ratios presented in the following section do not include the University of Mississippi Medical Center, or those of the IHL Executive Office. The ratios for UMMC have been calculated though and are presented separately in tabular format as supplemental information)*

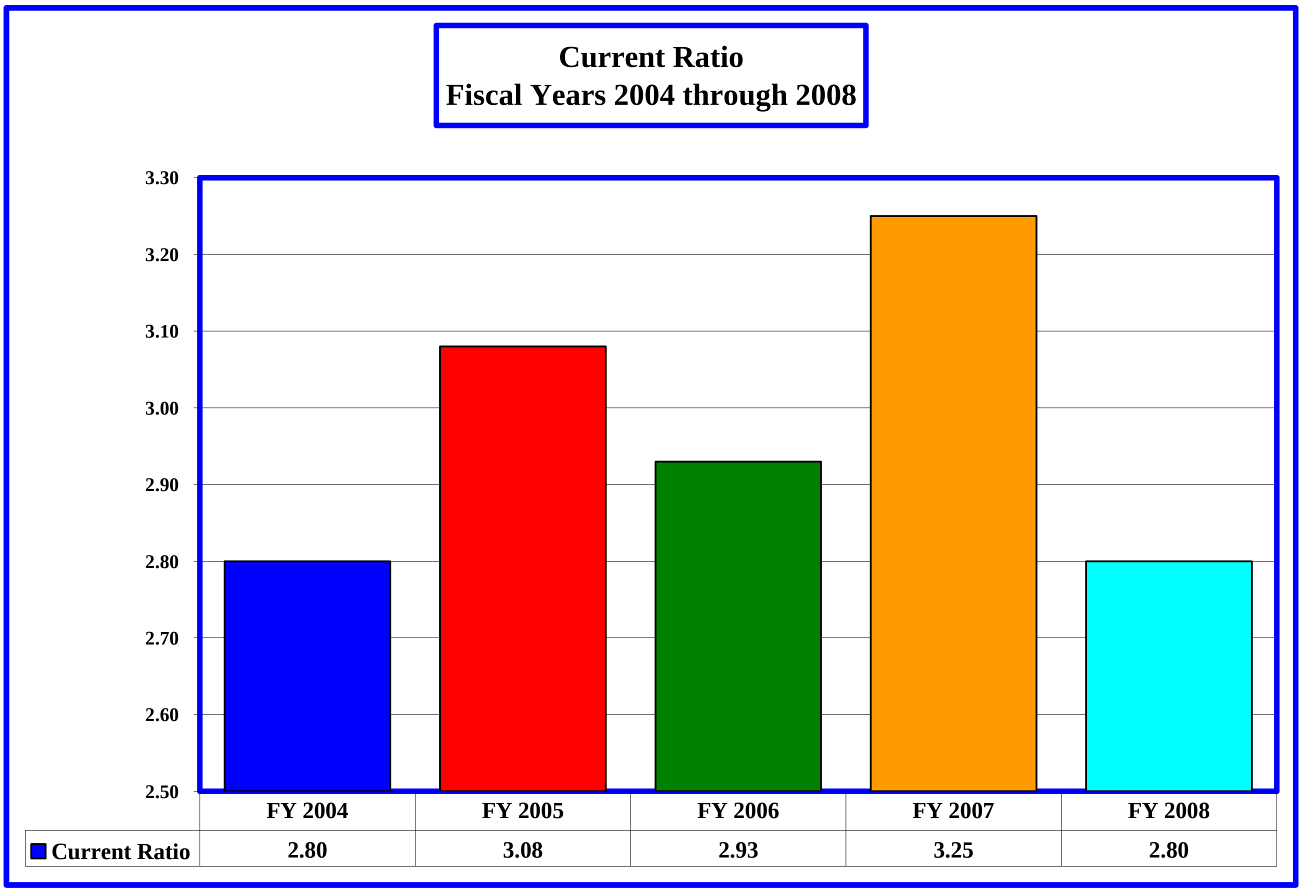
Current Ratio – The formula is:

$$\frac{\text{E\&G Assets less Internal Receivables}}{\text{E\&G Liabilities less (Accumulated Leave and Internal Payables)}}$$

This formula assumes all assets and liabilities in the E&G Fund are short-term because they represent the annual operating funds for the institution except for accumulated leave and due to's and due from's. Accumulated leave was deducted from the liabilities section. Accumulated leave is the amount of leave which would have to be paid to employees at the balance sheet date if the university were to close. The likelihood this would happen is nil; therefore, these dollars were removed from the calculation. Also deducted were internal receivables and payables (referred to as due to and due from on the fund statements) since calculating the ratios with these dollars included overstates or understates the ratios. A due to and due from represents a category of receivables or payables internal to the institution – for example, an amount due from one fund to another fund within the same institution, or a debt owed to itself. The current ratio average for the institutions was 2.80 on June 30, 2008. This represents a decrease of 0.45% from 2007, and remains a healthy ratio. A decrease in Current Ratio means that E&G liabilities grew proportionally faster than did E&G assets.

A current ratio of 2.80 implies the institutions have E&G assets to cover 280% of their E&G liabilities. There is no exact target for a university's current ratio, although clearly the number should be greater than one. The general (non-industry specific) rule of thumb calls for a current ratio of 2.00. But with any ratio, outcomes should be viewed with care. A declining ratio could indicate a deteriorating financial condition or removing stale assets from the books; i.e., old inventory. An increasing ratio could indicate excessively increasing inventories or improving financial conditions. Total E&G assets and liabilities, with some exceptions, were used in the calculation, including some long-term assets such as investments, hence resulting in a ratio better than 2.00. The mix of the assets is important in this ratio. This may cause higher ratios to be reported at some of the institutions. These are acceptable and, perhaps, desirable. Only JSU among the eight Mississippi institutions had a current ratio below 2.00 on June 30, 2008, although six of the eight institutions reported declines from their previous year levels.

Chart 14: Institutional Current Ratios – June 30, 2004 through 2008



	Current Ratio								
	ASU	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**	**UMMC**
FY 2007	9.17	2.64	3.68	2.80	2.35	4.73	3.94	2.30	3.73
FY 2008	3.73	2.42	1.64	2.60	2.33	4.88	3.67	2.62	3.02

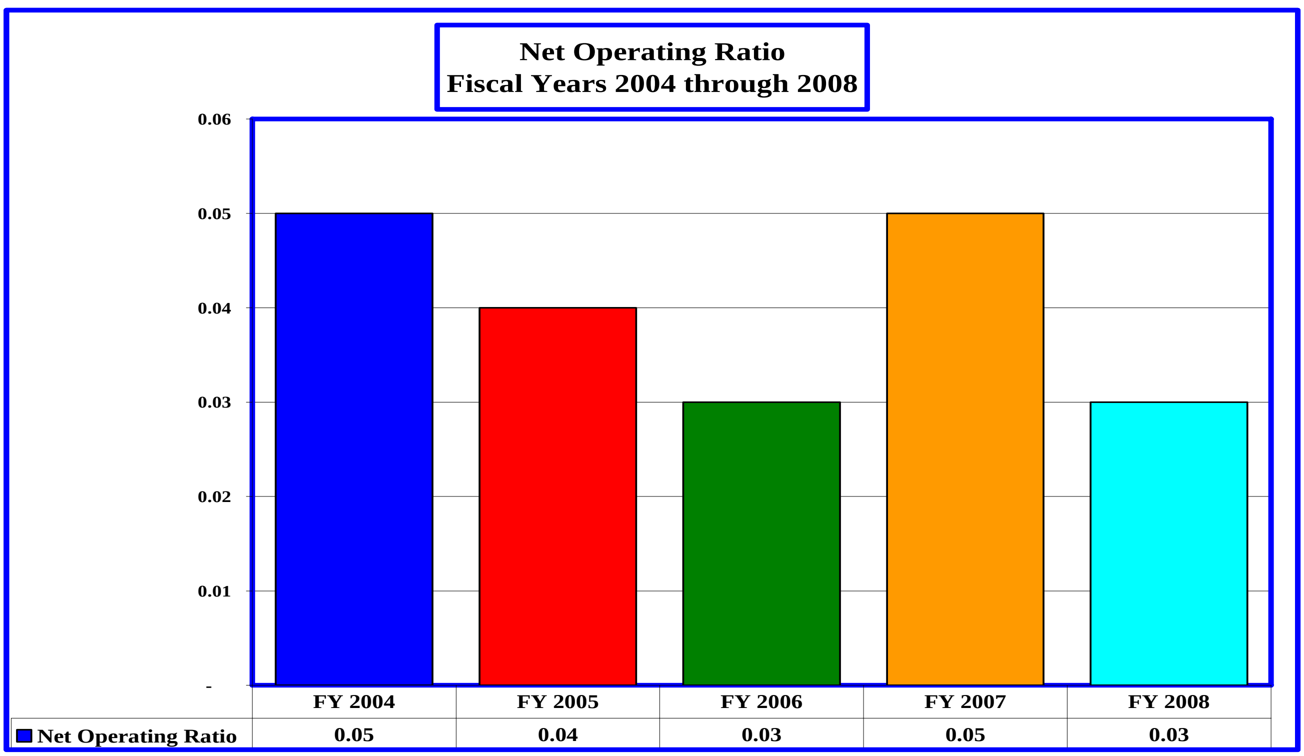
Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Net Operating Ratio – Net Operating Ratio measures financial performance by comparing whether the institution completed the fiscal year with an annual surplus or deficit. In other words, it measures whether revenues exceeded expenses for the year. A surplus means revenues outpaced expenses and a deficit means expenses were greater than revenues. Mandatory Transfers were included in the calculation; non-mandatory transfers were not. The formula is:

$$\frac{\text{E\&G Revenues - E\&G Expenses \& E\&G Mandatory Transfers}}{\text{E\&G Revenues}}$$

Positive results indicate that E&G revenues were greater than the E&G expenses and mandatory transfers for the year. The Net Operating Ratio fell to .03.for Fiscal Year 2008 after standing at .05 on June 30, 2007. This was still a positive outcome and indicated that average Institutional E&G revenues grew faster than E&G expenses and mandatory transfers. The numbers indicate the system ended the year with a surplus in all years under review. According to NACUBO publications, the rule of thumb ratio should be a surplus between .02 and .04. The average Institutional performance met this NACUBO recommendation; however, individual institutions had ratios ranging between a negative .03 (ASU) and a positive .12 (UM) at June 30, 2008. Three institutions reported negative (deficit) performance during the recent year (ASU, JSU and MUW).

Chart 15: Institutional Net Operating Ratios – June 30, 2004 through 2008



	Net Operating Ratio								
	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC
FY 2007	0.03	0.03	0.02	0.02	0.00	0.01	0.09	0.08	0.04
FY 2008	(0.03)	0.00	(0.01)	0.01	(0.01)	0.00	0.12	0.04	0.10

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

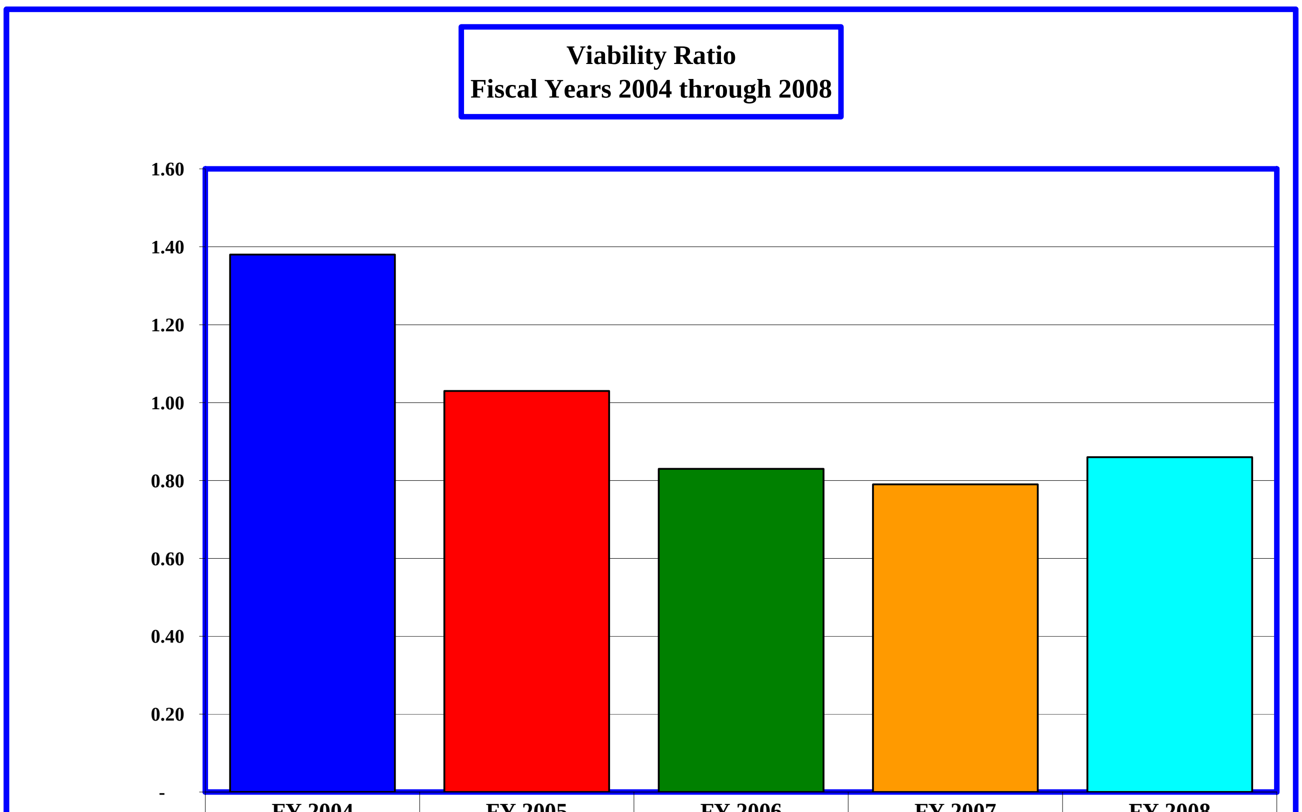
Two ratios were calculated to assess the overall financial condition of the institutions are provided. These ratios include the Viability Ratio and Primary Reserve Ratio.

Viability Ratio – Viability ratio is calculated as follows:

$$\frac{\text{Unrestricted Net Assets}}{\text{Outstanding Long Term Debt}}$$

This ratio measures the availability of sufficient net assets to settle its capital debt as of the financial statement date. There is no absolute threshold (rule of thumb) to indicate the institution's financial viability because long-term debt would not have to be paid all at once, but trends should be observed. The higher the ratio, the more funds are available to cover debt. A viability ratio of 1.00 indicates an institution has sufficient net assets to satisfy debt obligations at the financial statement date. In Fiscal Year 2008, the system reversed a three year trend of declining ratios. The Institutional average for the Viability Ratio was 0.86 at June 30, 2008. This was a small improvement over the prior year end ratio (0.79). This increase indicates that Unrestricted Net Assets grew at a faster pace than long-term debt. Still that debt will need to be continually monitored to ensure the institutions can respond to adverse conditions with internal resources. The institutional ratios ranged from a low of 0.03 at JSU to a high of 89.00 at ASU which has virtually no long-term debt. Six of the eight campus ratios increased during Fiscal Year 2008. All of these institutions either held their debt levels constant during the year, or reduced them in total. DSU was the only institution whose Viability Ratio decreased. DSU's debt load actually also decreased slightly during the year, but a material drop in their unrestricted net assets caused their performance to fall.

Chart 16: Institutional Viability Ratios – June 30, 2004 through 2008



	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Viability Ratio	1.38	1.03	0.83	0.79	0.86

				Viability Ratio					
	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC
FY 2007	65.33	0.85	0.03	0.70	5.75	0.14	1.54	0.84	0.93
FY 2008	89.00	0.71	0.03	0.79	6.43	0.16	1.74	0.88	1.18

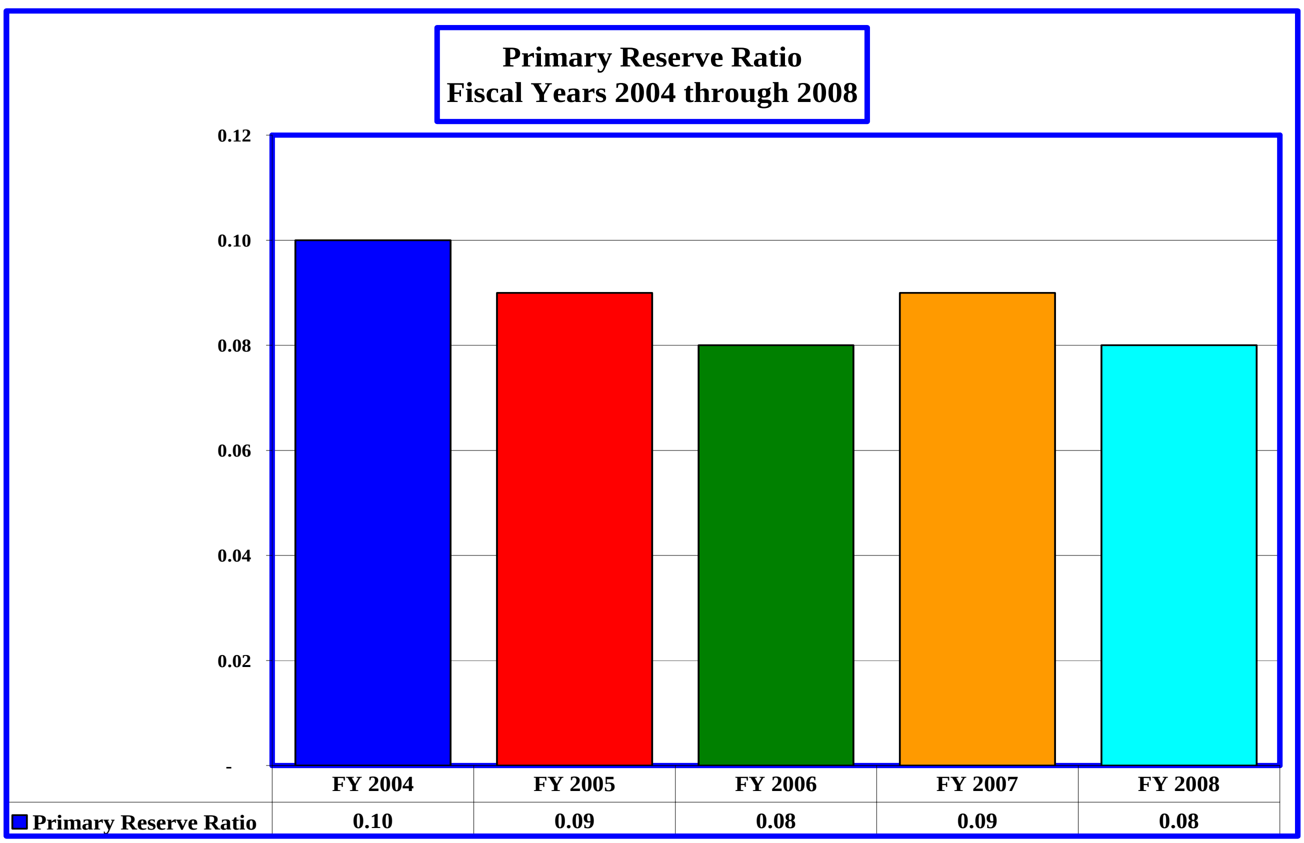
Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Primary Reserve Ratio – Primary Reserve Ratio also measures the financial strength of the institution. The formula is:

$$\frac{\text{E\&G Fund Net Assets}}{\text{E\&G Expenses \& E\&G Mandatory Transfers}}$$

This ratio describes the institution's ability to support its current operations from net assets from the E&G Fund without depending on additional revenues from current operations. The Primary Reserve Ratio was .09 on June 30, 2007, and dropped to .08 on June 30, 2008. This means that the average Institution could operate approximately four weeks without some reliance on additional funds. There is no rule of thumb reported for this ratio but a negative trend over time could indicate a weakening financial condition, meaning E&G expenditures grew faster than the E&G fund net assets. Failure to keep pace with increases in expenses provides less margin of safety. Only one institution reported negative performance for the year ending June 30, 2008 (JSU). Their negative performance was a result of both the growth in expenses during the year and a small overall decline in E&G fund net assets. Overall, the Mississippi institutional ratios ranged from a low of negative <.02> at JSU and a high of positive .19 at ASU.

Chart 17: Institutional Primary Reserve Ratios – June 30, 2004 through 2008



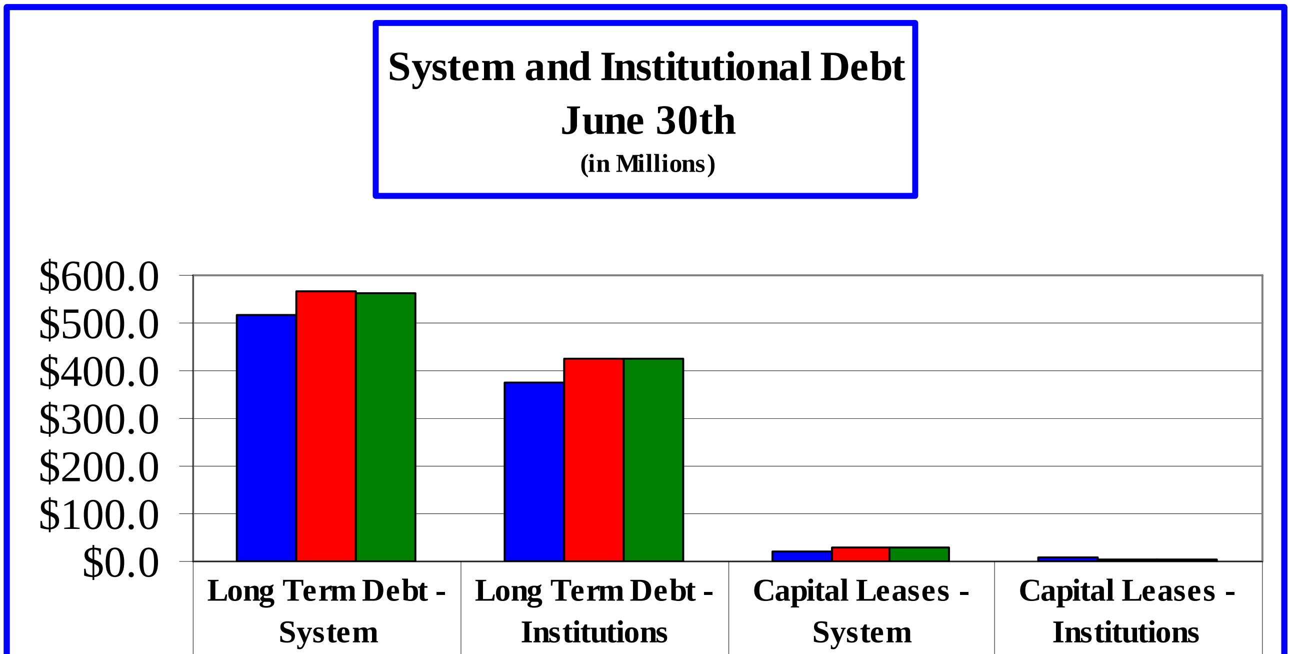
	Primary Reserve Ratio								
	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC
FY 2007	0.25	0.05	0.07	0.06	0.07	0.10	0.15	0.07	0.24
FY 2008	0.19	0.04	(0.02)	0.05	0.08	0.08	0.16	0.07	0.25

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Capital Debt Ratios

Institutions receive funds from the state to construct most of the academic or administrative facility projects on campus. Typically, bonded indebtedness at an institution is for construction projects for facilities benefiting the auxiliary enterprises and is repaid through the revenue streams of the auxiliary funds. Examples include student housing, food service cafeterias, bookstores, and athletic facilities. In some cases, university equipment may be purchased using capital lease funds managed centrally through the executive office. In this report, Long-Term Debt, includes bonded indebtedness and notes payable. The following chart depicts a comparison of debt (bonds and notes payables) and capital leases for the system and for the institutions on June 30, 2006, 2007 and 2008. The difference in the system's totals and the institutions' totals is debt at the UMMC.

Chart 18: Bonded Indebtedness and Capital Lease – Fiscal Years 2006, 2007 and 2008 – System and Institutions



	Long Term Debt - System	Long Term Debt - Institutions	Capital Leases - System	Capital Leases - Institutions
FY 2006	$517.7	$373.9	$21.0	$6.6
FY 2007	$565.2	$425.6	$27.3	$5.3
FY 2008	$562.1	$427.0	$31.1	$4.4

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Two ratios are provided for the evaluation of the credit worthiness of the institutions – debt burden ratioand debt coverage ratio.

Debt Burden Ratio – Debt burden ratio indicates the institution's dependence on long-term debt as a source of financing its mission and the relative cost of this debt to overall expenses. The formula for the debt burden ratio is:

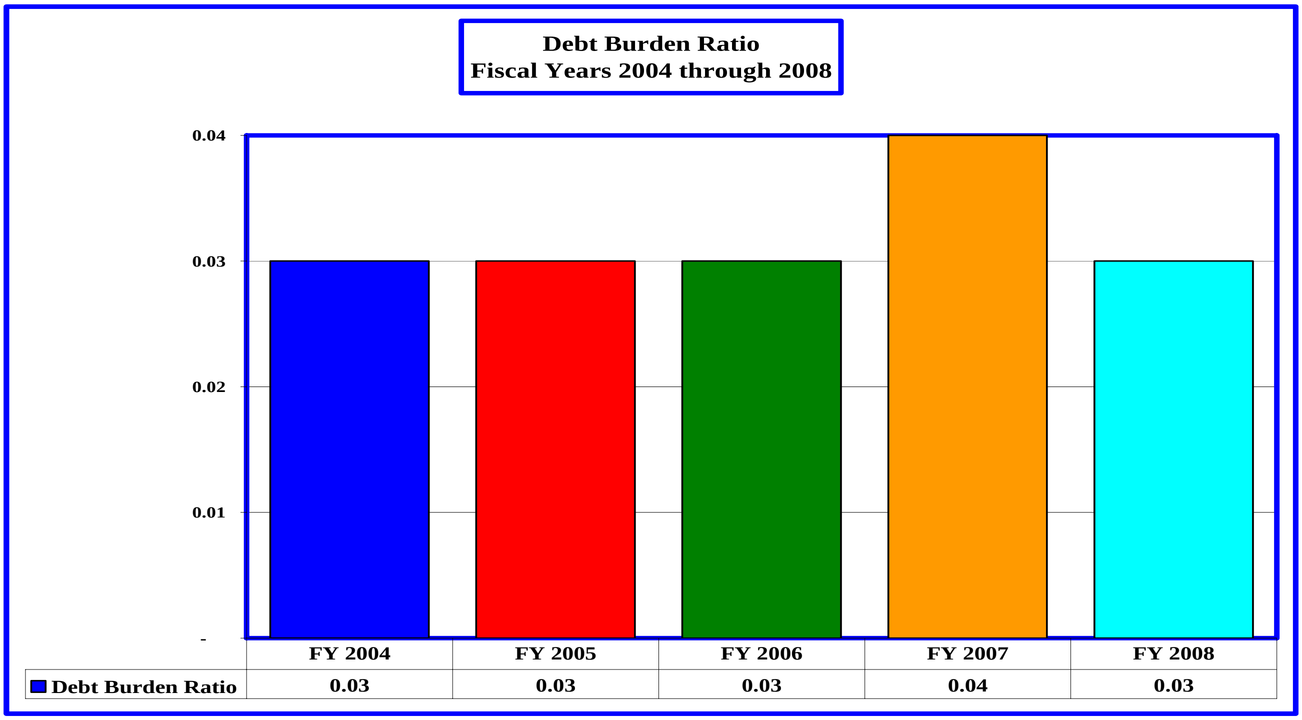
$$\frac{\text{Principal + Interest Expense + Trustees' Fees}}{\text{(Current Fund Expenses plus Mandatory Transfers) – (Restricted Fund Expenses plus Mandatory Transfers)}}$$

Current funds are defined as E&G, Auxiliary, Designated, and Restricted funds. For this analysis Restricted Funds are deducted from the denominator since these funds are restricted and cannot be used for debt unless specifically stated in the grant or contract agreement.

There is no rule of thumb reported for this ratio; however, a declining trend or a low number is usually considered a *positive* indicator for an institution. This ratio measures the relative cost of long-term debt to overall expenses and mandatory transfers. The higher the ratio, the fewer resources are available for general operating purposes. The lower the ratio, the more resources are available for general operating purposes. However, if the institution has the capacity to borrow and needs funding for a particular project, some opportunity could be lost by not using debt. Each institution must weigh this opportunity in light of the fiscal conservativeness of that institution. The Fiscal Year 2008 total debt service cost for the IHL System equaled $52.1 million (included within is UMMC's costs of $17.7 million). For Fiscal Year 2007, these costs equaled $54.8 million (UMMC's costs equaled $15.5 million)

Debt service is a legal claim on resources. Investment bankers have identified an upper ceiling for the debt burden ratio at 7.0%, meaning the current principal, interest expenses, and trustees' fees should not be greater than 7.0% (.07) of operating expenses and mandatory transfers. Institutions with high ratios will likely face greater scrutiny from rating agencies and creditors. The Institutional average is below this percentage. All institutions in Fiscal Year 2008 were under 5.0%.

Chart 19: Institutional Debt Burden Ratios – June 30, 2004 through 2008



Debt Burden Ratio									
	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC
FY 2007	0.00	0.03	0.03	0.05	0.01	0.00	0.03	0.03	0.02
FY 2008	0.00	0.03	0.03	0.03	0.01	0.02	0.03	0.03	0.02

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Debt Coverage Ratio

Debt coverage ratios measure the resources available to cover annual debt service payments. The formula is:

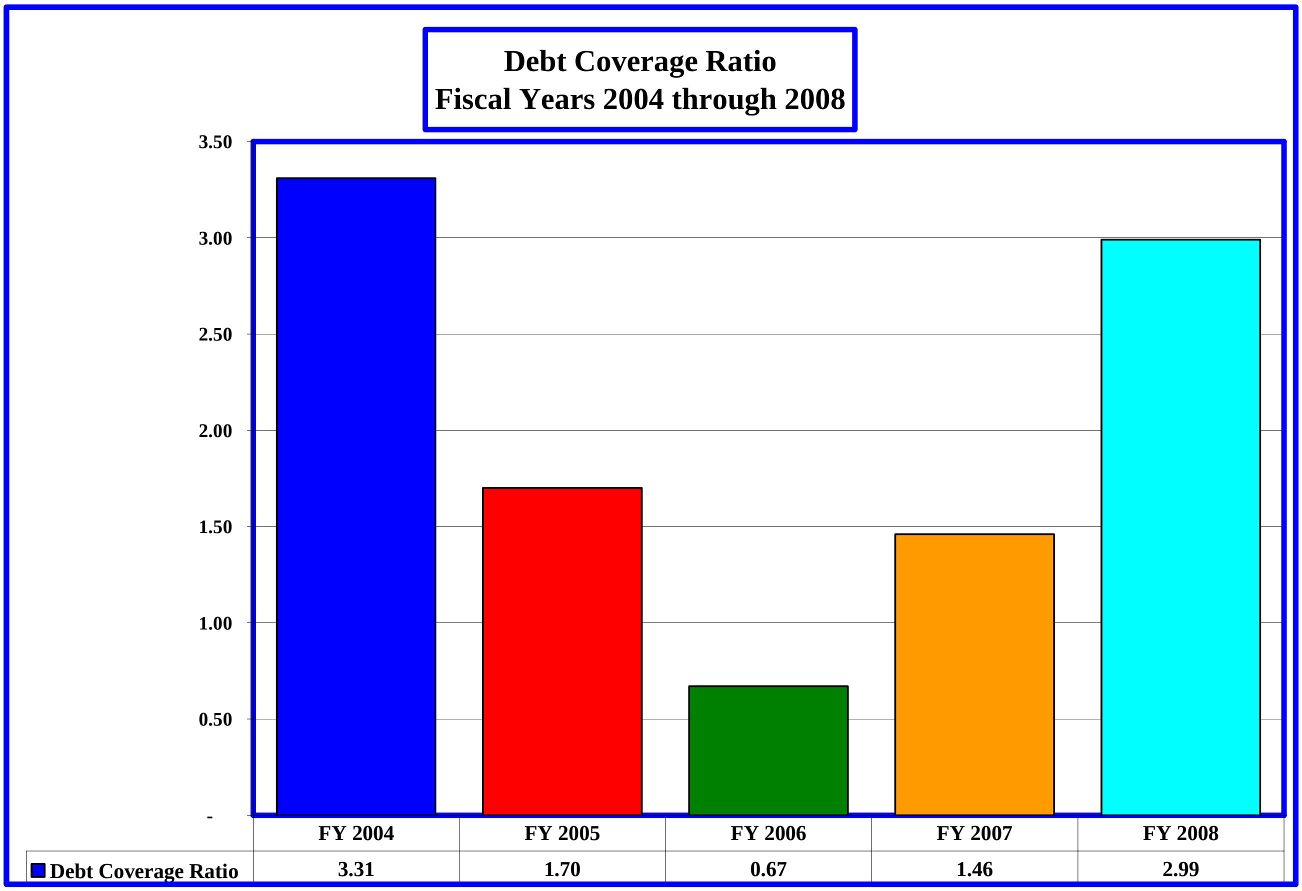
$$\frac{\text{Net Operating Income (Loss)} + \text{State Appropriations} + \text{Non-Operating Gifts \& Grants} + \text{Depreciation Exp.} + \text{Interest Exp.}}{\text{Principal} + \text{Interest Expense} + \text{Trustee Fees}}$$

This ratio is important because it gives creditors a level of comfort that the institutions have a net income stream available to meet their debt burden should economic conditions change. In this case, a positive trend and a larger percentage are desirable, meaning there are more dollars available to cover debt service. A low ratio or declining trend is cause for concern regarding the institution's ability to sustain its operations. In general, minimum debt coverage of 1.4 times is desirable.

During Fiscal Year 2008, the IHL System increased this ratio performance. In 2007, the ratio was 1.46. In 2008, the ratio improved to 2.99. For 2008, the System's annual debt service could be covered approximately three times. The Debt Coverage ratio increased at five institutions, DSU, JSU, MSU, MUW and MVSU., while decreasing at four other institutions, ASU, UM, USM and

UMMC. This particular ratio is better analyzed over a period or trend. USM is the only institution that has consistent declining performance in debt coverage. The institution's coverage has declined annually from a high of 4.22 in 2004, to its present position of a negative (.45) in 2008. USM needs to pay particular attention to this ratio and strategize a future performance plan for increasing the ratio to 1.40 as soon as feasible.

Chart 20: Institutional Debt Coverage Ratios – June 30, 2004 through 2008



	Debt Coverage Ratio								
	ASU	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**	**UMMC**
FY 2007	26.76	(1.47)	0.96	1.00	(2.44)	0.86	4.62	(0.33)	3.44
FY 2008	(16.20)	2.16	1.47	4.56	2.94	3.05	4.38	(0.45)	5.50

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Accounts Receivable Review – Percentage comparisons

Student Tuition Receivables are amounts due the institution from students for the cost of tuition. The following indicators are expressed as percentages rather than a ratio. The goal of these financial indicators is to show how well the institutions are managing their student tuition receivables. An analysis of these Receivables begins with the analysis of the Student Tuition Receivable as a Percent of Net Tuition and Fees.

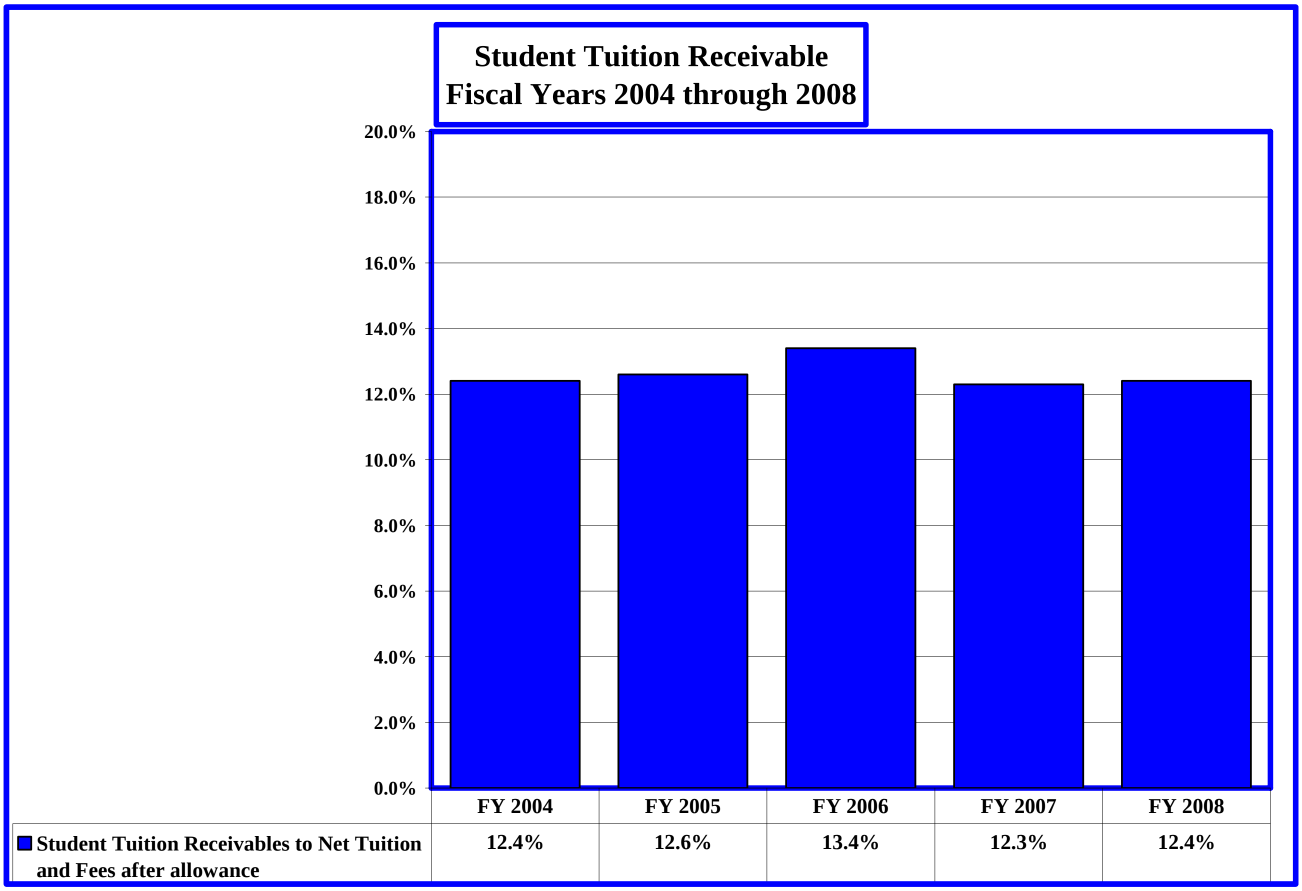
When evaluating this indicator one must take into consideration the Allowance for Doubtful Accounts effect. Several of the institutions have receivables owed to them that date back many years (many more than 10 years). While the university no longer anticipates receiving these debts, state law prohibits them from forgiving the debtor. Therefore these old receivables must still be carried on the institutions books. Standard accounting practice allows these debts to be placed 100% in the Allowance category, while still remaining on the institutions financial statements. By removing these old, uncollectable accounts from our calculations, we get a better analysis on how the institution is managing their current student receivable accounts.

Student Tuition Receivable (net of Allowance) as a Percent of Net Tuition and Fees –The formula for this relationship is:

$$\frac{\text{Student Tuition Accounts Receivable less Allowance for Doubtful Accounts}}{\text{Net Tuition}}$$

In order to remove possible allowances set up for student owed housing and food service receivables, the institutions reported allowance was discounted by 50%. There are no industry-wide rules of thumb reported for these relationships. See the next page for a graphic illustration of the Institutional average from 2004 through 2008.

Chart 21: Student Tuition Receivable to Net Tuition – Fiscal Years 2004 - 2008

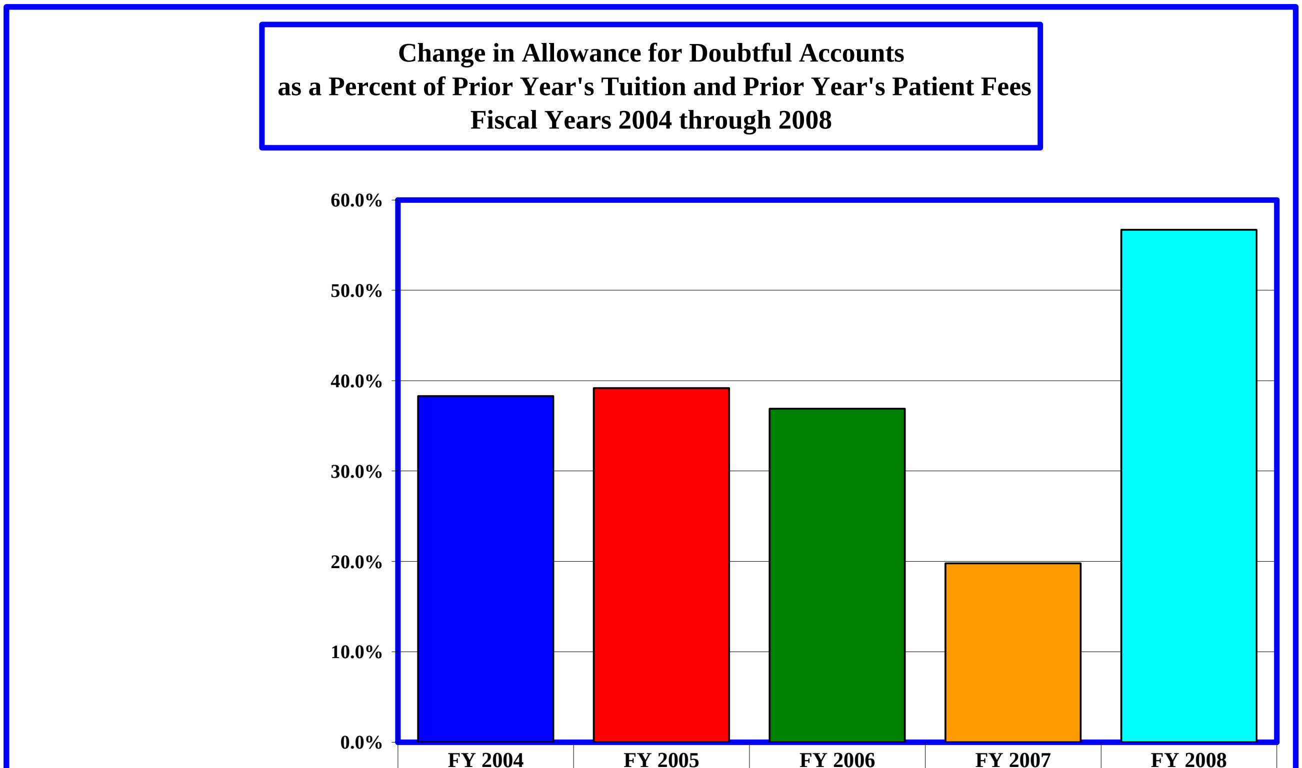


	Student Tuition Ratio (after allowance adjustment)							
	ASU	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**
FY 2007	**52.2%**	**15.4%**	**35.2%**	**13.3%**	**19.6%**	**13.3%**	**4.0%**	**6.8%**
FY 2008	**53.8%**	**17.4%**	**32.0%**	**12.7%**	**18.1%**	**55.4%**	**3.8%**	**5.1%**

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Also reviewed was the Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Patient Fees. The percentage includes information about UMMC's patient fees collectibility. In Fiscal Year 2007, that percentage was 19.8% and in Fiscal Year 2008, the percentage grew to 56.7%. During 2008, UMMC increased their Allowance by $68.8 million. This analysis illustrates the burden placed on the UMMC for charges for indigent care.

Chart 22: Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Patient Fees



	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Prior Year's Patient Fees	38.3%	39.2%	36.9%	19.8%	56.7%

Source: Compiled by Mississippi Institutions of Higher Learning from data provided by UMMC

Conclusion

The goal of this report was to show the fiscal size of the system, sources of revenue, ways the funds were expended and review the financial health of the system, including each institution, through the use of ratio and other financial analyses. The public universities in Mississippi appear to be fiscally healthy especially in light of the unpredictable economic conditions experienced by the State since Fiscal Year 2002. Future monitoring will be important for the debt ratios and the receivable percentages to ensure financial stability. Although within range, some ratios moved in a negative direction, indicating the institutions should pay close attention to ensure conditions and trends do not persist.

The system's level of support from state appropriation revenues for general core operations increased approximately $98 million in Fiscal Year 2008. This was the second consecutive significant increase for the IHL System. The great majority or this increase was pre-directed for faculty and staff salaries and other legislative mandated directions (initiatives). General operating budgets which fund the supporting roles of the institution (travel, utilities, repairs and maintenance, office supplies and materials) were not significantly increased during 2008, nor have they been increased in many years. For this reason, a 3.7% average tuition increase was approved by the IHL Board for Mississippi public four-year institutions, effective with the fall 2008 semester. This increase did not appear to have a negative impact on student enrollment, as preliminary Fall 2008 headcounts at most institutions remained steady, with some institutions even recording significant increases (MSU 4.6%). The overall increase in Fall enrollment numbers (0.5% increase System-wide) continues to reflect a now twelve-year upward enrollment trend. The institutions also have become more aggressive in obtaining funds from outside sources (federal and privately sponsored grants) to bridge the gap in state funding. Since Fiscal Year 2004, the institutions have generated approximately $107 million in additional external support for research and sponsored programs.

Although it is important to review historical financial data to understand the health of the system, it is equally important to review non-financial data and trends of the institutions. Some of these perhaps are a better indicator of future success. Some of these indicators may be found in documents prepared on a regular basis by the Office of Policy Research and Planning within IHL.

Appendices

Summary of Data

Appendix 1: Summary of Data
Table 1

Mississippi's Institutions of Higher Learning

Condensed Statement of Net Assets - System
As of June 30, 2008
(in millions)

Assets	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC	Executive Office
Current Assets	$ 784.0	$ 25.1	$ 6.5	$ 35.1	$ 107.5	$ 8.5	$ 12.0	$ 150.0	$ 105.0	$ 317.8	$ 16.4
Capital Assets	2,346.5	100.9	87.5	231.1	607.8	78.4	55.2	452.9	335.8	391.5	5.4
Other Non-Current Assets	634.7	9.4	9.6	23.8	113.2	7.2	12.1	162.0	47.7	180.3	69.0
Total Assets	**$ 3,765.6**	**$ 135.4**	**$ 103.6**	**$ 290.0**	**$ 828.5**	**$ 94.1**	**$ 79.3**	**$ 764.9**	**$ 488.5**	**$ 889.6**	**$ 90.8**

Liabilities and Net Assets	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC	Executive Office
Current Liabilities	$ 271.1	$ 6.5	$ 5.0	$ 19.1	$ 44.2	$ 3.6	$ 5.0	$ 48.7	$ 28.4	$ 101.6	$ 9.0
Non-Current Liabilities	746.4	2.9	9.2	96.7	173.4	3.0	20.7	100.0	114.5	207.4	18.4
Net Assets	2,747.1	126.0	89.4	174.2	610.9	87.5	53.6	616.2	345.6	580.6	63.4
Total Liabilities and Net Assets	**$ 3,764.6**	**$ 135.4**	**$ 103.6**	**$ 290.0**	**$ 828.5**	**$ 94.1**	**$ 79.3**	**$ 764.9**	**$ 488.5**	**$ 889.6**	**$ 90.8**

System Capital Assets
As of June 30, 2008
(net of depreciation)
(in millions)

Capital Assets	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC	Executive Office
Land	58.0	$ 0.9	$ 0.9	$ 8.1	$ 12.7	$ 2.4	$ -	$ 14.9	$ 14.9	$ 3.2	$ -
Construction in Progress	381.9	33.3	10.3	34.2	81.7	3.8	22.5	56.4	80.1	59.6	-
Buildings	1,525.1	60.7	67.7	157.4	411.2	68.3	22.6	298.0	196.2	238.0	5.0
Improvements other than Buildings	143.5	3.5	3.3	27.0	45.7	2.2	6.8	34.4	16.6	3.8	0.2
Equipment	169.3	0.8	2.8	2.6	35.7	1.4	2.4	30.6	16.1	76.7	0.2
Library Books	67.1	1.7	2.5	1.8	19.2	0.3	0.9	18.6	11.9	10.2	-
Livestock	1.6	-	-	-	1.6	-	-		-	-	-
Total Capital Assets	**$ 2,346.5**	**$ 100.9**	**$ 87.5**	**$ 231.1**	**$ 607.8**	**$ 78.4**	**$ 55.2**	**$ 452.9**	**$ 335.8**	**$ 391.5**	**$ 5.4**

NOTE: Numbers may not add due to rounding

Appendix 1: Summary of Data
Table 2

Mississippi's Institutions of Higher Learning System Revenues Fiscal Year Ending June 30, 2008 (in millions)											
Revenues	**System**	**ASU**	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**	**UMMC**	**Executive Office**
Net Tuition & Fees (net)	$ 328.1	$ 9.3	$ 14.4	$ 26.7	$ 79.9	$ 7.2	$ 8.3	$ 100.6	$ 73.2	$ 8.5	$ -
State Appropriation - Core Ops.	780.2	29.1	23.8	54.7	183.2	15.9	20.3	88.4	95.1	226.3	43.4
State Appropriation - Capital Ops.	78.5	12.6	5.2	11.3	7.9	1.4	17.1	9.0	9.8	3.9	0.3
Grants & Contracts *	667.3	18.8	12.6	68.9	244.4	16.0	18.9	125.1	117.8	69.7	10.2
Auxiliary Income	157.7	7.1	6.6	13.8	47.2	2.3	8.5	40.5	25.1	3.8	2.8
Patient Fees	531.2	-	-	-	-	-	-	-	-	531.2	-
Sales and Services *	50.3	0.7	1.0	1.8	31.6	0.9	1.3	9.2	2.0	1.0	2.4
Investment Income	22.2	0.4	0.6	0.9	4.0	0.4	0.9	3.8	4.0	4.8	2.3
Other Revenues *	61.4	11.1	0.8	5.3	3.6	0.1	1.7	6.1	4.8	27.0	12.2
Total Revenues	**$ 2,676.9**	**$ 89.1**	**$ 65.0**	**$ 183.4**	**$ 601.8**	**$ 44.2**	**$ 77.0**	**$ 382.7**	**$ 331.8**	**$ 876.2**	**$ 73.6**

Mississippi's Institutions of Higher Learning System Expenses Fiscal Year Ending June 30, 2008 (in millions)											
Expenses	**System**	**ASU**	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**	**UMMC**	**Executive Office**
Salaries & Fringe Benefits	$ 1,396.2	$ 42.7	$ 34.9	$ 99.4	$ 337.4	$ 23.3	$ 32.5	$ 189.9	$ 179.3	$ 445.5	$ 11.3
Travel	46.2	2.3	1.3	4.7	14.8	0.4	1.9	9.7	8.3	2.4	0.3
Cont. Services & Commodities *	701.6	19.7	13.2	39.0	145.4	8.4	15.2	87.4	81.3	302.1	22.0
Utilities	67.4	4.0	2.7	4.7	14.6	2.8	2.3	9.9	10.5	14.9	1.0
Scholarships & Fellowships *	125.1	7.0	4.6	15.8	21.7	4.4	5.4	27.8	16.5	4.0	33.4
Depreciation Expense	99.8	3.5	3.3	4.6	25.6	1.9	2.2	20.2	13.4	25.0	0.3
Interest Expense	28.6	-	0.4	5.8	6.5	-	0.8	3.7	3.7	7.7	-
Other Expenses	31.6	0.1	2.7	8.5	1.0	0.9	11.7	1.7	1.0	2.9	1.2
Total Expenses	**$ 2,497.1**	**$ 79.3**	**$ 63.1**	**$ 182.5**	**$ 567.0**	**$ 42.1**	**$ 72.0**	**$ 350.3**	**$ 314.0**	**$ 804.5**	**$ 69.5**

* - amounts do not cross-foot due to inter-campus eliminations made by auditors.

NOTE: Numbers may not add due to rounding

Appendix 1: Summary of Data
Table 3

Mississippi's Institutions of Higher Learning
Institutional Information
Fiscal Year Ending June 30, 2008
(in millions)

Education and General Revenues

Revenues *	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
Tuition & Fees	$ 391.0	$ 17.1	$ 17.2	$ 42.1	$ 99.0	$ 10.8	$ 16.0	$ 110.3	$ 78.5
State Appropriations	510.5	29.1	23.8	54.7	183.2	15.8	20.3	88.3	95.3
Other	62.9	1.4	1.8	6.2	36.2	1.2	2.4	5.0	8.7
Total Revenues	**$ 964.4**	**$ 47.6**	**$ 42.8**	**$ 103.0**	**$ 318.4**	**$ 27.8**	**$ 38.7**	**$ 203.6**	**$ 182.5**

Education and General Expenses by Function

Expenses by Function *	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
Instruction	$ 364.7	$ 18.7	$ 17.2	$ 40.7	$ 94.3	$ 10.8	$ 14.6	$ 88.3	$ 80.1
Research	69.2	2.1	-	1.1	54.5	-	0.3	6.8	4.4
Public Service	60.4	2.3	0.8	0.2	54.5	0.2	0.2	0.5	1.7
Academic Support	88.6	3.9	4.5	10.1	28.3	2.6	2.4	22.5	14.3
Student Services	58.4	4.1	4.2	13.3	11.1	2.3	4.8	10.1	8.5
Institutional Support	103.1	7.0	5.4	18.7	19.3	3.9	5.8	16.7	26.3
Operation & Maintenance	104.3	5.7	5.5	9.4	26.6	5.1	6.5	22.6	22.9
Scholarships & Fellowships	67.7	5.4	3.8	10.4	15.2	2.8	3.6	10.4	16.1
Other & Mandatory Transfers	14.9	-	1.4	-	11.1	0.3	0.5	0.9	0.7
Total Expenses by Function	**$ 931.3**	**$ 49.2**	**$ 42.8**	**$ 103.9**	**$ 314.9**	**$ 28.0**	**$ 38.7**	**$ 178.8**	**$ 175.0**

Note: Numbers may not add due to rounding

Appendix 1: Summary of Data
Table 4

Mississippi's Institutions of Higher Learning — Institutions Only — For the Years Ended June 30, 2004, 2005, 2006, 2007 and 2008 (in millions)									
Institutional Debt	**Total**	**ASU**	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**
Bonded Indebtedness and Notes Payable - FY 2008	$ 425.7	$ 0.2	$ 5.6	$ 92.8	$ 143.4	$ -	$ 18.9	$ 85.5	$ 79.3
Capital Lease - FY 2008	4.4	-	1.2	-	1.8	0.7	-	-	0.7
Total FY 2008	**$ 430.1**	**$ 0.2**	**$ 6.8**	**$ 92.8**	**$ 145.2**	**$ 0.7**	**$ 18.9**	**$ 85.5**	**$ 80.0**
Total FY 2007	**$ 431.2**	**$ 0.3**	**$ 7.0**	**$ 91.1**	**$ 145.3**	**$ 0.8**	**$ 19.0**	**$ 88.4**	**$ 79.3**
Total FY 2006	**$ 380.5**	**$ 0.5**	**$ 8.0**	**$ 82.8**	**$ 157.7**	**$ 0.3**	**$ 2.2**	**$ 73.5**	**$ 55.5**
Total FY 2005	**$ 305.8**	**$ 0.7**	**$ 9.0**	**$ 84.4**	**$ 104.4**	**$ 0.5**	**$ 2.3**	**$ 66.6**	**$ 37.9**
Total FY 2004	**$ 224.4**	**$ 1.6**	**$ 5.2**	**$ 19.3**	**$ 79.9**	**$ 0.3**	**$ 2.4**	**$ 75.7**	**$ 40.0**
Due within one year - FY 2008	**$ 17.5**	**$ 0.1**	**$ 1.0**	**$ 1.9**	**$ 6.6**	**$ 0.2**	**$ 0.1**	**$ 5.3**	**$ 2.3**

NOTE: Numbers may not add due to rounding

Appendix 1: Summary of Data
Table 5

Mississippi's Institutions of Higher Learning
For the Years Ended June 30, 2004, 2005, 2006, 2007 and 2008
Institutional Financial Indicators

Current Ratio	Institutional Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2004	2.80	2.87	2.61	1.90	3.21	2.96	5.67	3.94	1.88
FY 2005	3.08	2.31	2.31	4.81	3.22	2.57	3.02	3.86	2.27
FY 2006	2.93	3.77	2.20	4.95	2.97	2.13	1.88	3.88	2.10
FY 2007	3.25	9.17	2.64	3.68	2.80	2.35	4.73	3.94	2.30
FY 2008	2.80	3.73	2.42	1.64	2.60	2.33	4.88	3.67	2.62

Net Operating Ratio	Institutional Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2004	0.05	0.01	0.01	0.06	0.02	0.01	0.06	0.06	0.11
FY 2005	0.04	0.01	0.01	0.04	0.01	0.03	(0.01)	0.08	0.06
FY 2006	0.03	0.05	(0.02)	(0.02)	(0.01)	(0.04)	0.02	0.08	0.08
FY 2007	0.05	0.03	0.03	0.02	0.02	0.00	0.01	0.09	0.08
FY 2008	0.03	(0.03)	0.00	(0.01)	0.01	(0.01)	0.00	0.12	0.04

Viability Ratio	Institutional Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2004	1.38	5.36	0.97	0.66	1.13	30.15	3.51	1.35	1.81
FY 2005	1.03	13.43	0.77	0.23	0.09	25.60	1.91	1.58	1.76
FY 2006	0.83	24.60	0.68	0.15	0.56	36.33	1.77	1.67	1.12
FY 2007	0.79	65.33	0.85	0.03	0.70	5.75	0.14	1.54	0.84
FY 2008	0.86	89.00	0.71	0.03	0.79	6.43	0.16	1.74	0.88

Primary Reserve Ratio	Institutional Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2004	0.10	0.16	0.09	0.08	0.07	0.12	0.16	0.16	0.07
FY 2005	0.09	0.16	0.08	0.06	0.07	0.13	0.14	0.15	0.06
FY 2006	0.08	0.23	0.04	0.04	0.05	0.08	0.16	0.15	0.07
FY 2007	0.09	0.25	0.05	0.07	0.06	0.07	0.10	0.15	0.07
FY 2008	0.08	0.19	0.04	(0.02)	0.05	0.08	0.08	0.16	0.07

Debt Burden Ratio	Institutional Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2004	0.03	0.02	0.02	0.02	0.02	0.01	0.01	0.04	0.02
FY 2005	0.03	0.02	0.03	0.02	0.04	0.01	0.01	0.03	0.02
FY 2006	0.03	0.01	0.03	0.02	0.03	0.01	0.01	0.03	0.02
FY 2007	0.04	0.00	0.03	0.03	0.05	0.01	0.00	0.03	0.03
FY 2008	0.03	0.00	0.03	0.03	0.03	0.01	0.02	0.03	0.03

Debt Coverage Ratio	Institutional Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2004	3.31	0.93	2.88	3.32	2.34	(5.68)	23.82	3.65	4.22
FY 2005	1.70	0.55	0.56	10.27	0.59	3.62	7.69	1.56	2.32
FY 2006	0.67	6.51	1.03	0.66	0.37	(3.55)	(3.67)	2.01	0.14
FY 2007	1.46	26.76	(1.47)	0.96	1.00	(2.44)	0.86	4.62	(0.33)
FY 2008	2.99	(16.20)	2.16	1.47	4.56	2.94	3.05	4.38	(0.45)

Student Tuition Receivable to Net Tuition & Fees after Allowance for Doubtful Accounts adjustment	Institutional Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2004	12.4%	57.0%	10.2%	27.8%	11.3%	27.0%	27.0%	5.8%	5.2%
FY 2005	12.6%	46.1%	11.2%	28.7%	11.9%	20.8%	31.3%	3.4%	7.8%
FY 2006	13.4%	48.9%	12.3%	33.5%	11.8%	21.9%	36.3%	4.5%	8.4%
FY 2007	12.3%	52.2%	15.4%	35.2%	13.3%	19.6%	13.3%	4.0%	6.8%
FY 2008	12.4%	53.8%	17.4%	32.0%	12.7%	18.1%	55.4%	3.8%	5.1%

Appendix 1: Summary of Data
Table 6

Mississippi Institutional Educational & General Revenue					
(in millions)					
5 Year Summary					
Description	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Tuition (Gross)	$ 295.6	$ 319.2	$ 334.0	$ 360.5	$ 391.0
State Appropriations	405.5	410.2	$ 409.6	455.7	$ 510.5
Other	52.4	56.7	$ 56.3	65.5	$ 62.9
Total	**$ 753.5**	**$ 786.1**	**$ 799.9**	**$ 881.7**	**$ 964.4**

Proportion of Total					
Description	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Tuition (Gross)	39.2%	40.6%	41.8%	40.9%	40.5%
State Appropriations	53.8%	52.2%	51.2%	51.7%	52.9%
Other	7.0%	7.2%	7.0%	7.4%	6.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Annual Percent Change				
Description	**FY 2004 to FY 2005**	**FY 2005 to FY 2006**	**FY 2006 to FY 2007**	**FY 2007 to FY 2008**
Tuition (Gross)	8.0%	4.6%	7.9%	8.5%
State Appropriations	1.2%	-0.1%	11.3%	12.0%
Other	8.2%	-0.7%	16.3%	-4.0%
Total	**4.3%**	**1.8%**	**10.2%**	**9.4%**

5 Year Percent Change		
Description	**$ Change from FY 2004 to FY 2008**	**% Change from FY 2004 to FY 2008**
Tuition (Gross)	$ 95.4	32.3%
State Appropriations	105.0	25.9%
Other	10.5	20.0%
Total	**$ 210.9**	**28.0%**

NOTE: Numbers may not add due to rounding

Appendix 1: Summary of Data
Table 7

Mississippi Institutional Education & General Expenses					
(in millions)					
5 Year Summary					
Description	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Instruction	$ 286.4	$ 303.1	$ 311.3	$ 337.8	$ 364.7
Research	53.3	52.4	53.6	59.3	69.2
Public Service	50.8	50.2	48.3	52.3	60.4
Academic Support	67.9	69.1	77.6	80.2	88.6
Student Services	44.0	45.2	49.1	54.1	58.4
Institutional Support	78.3	84.8	83.2	94.2	103.1
Operation & Maintenance	71.4	81.0	91.4	92.6	104.3
Scholarships & Fellowships	48.2	52.5	50.6	59.8	67.7
Other and Mandatory Transfers	15.1	18.2	14.3	11.8	14.9
Total	**$ 715.4**	**$ 756.5**	**$ 779.4**	**$ 842.1**	**$ 931.3**
Proportion of Total					
Description	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Instruction	40.0%	40.1%	39.9%	40.1%	39.2%
Research	7.5%	6.9%	6.9%	7.0%	7.4%
Public Service	7.1%	6.6%	6.2%	6.2%	6.5%
Academic Support	9.5%	9.1%	10.0%	9.5%	9.5%
Student Services	6.2%	6.0%	6.3%	6.4%	6.3%
Institutional Support	10.9%	11.2%	10.7%	11.2%	11.1%
Operation & Maintenance	10.0%	10.7%	11.7%	11.0%	11.2%
Scholarships & Fellowships	6.7%	6.9%	6.5%	7.1%	7.3%
Other & Mandatory Transfers	2.1%	2.4%	1.8%	1.4%	1.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Annual Percent Change				
Description	**FY 2004 to FY 2005**	**FY 2004 to FY 2006**	**FY 2006 to FY 2007**	**FY 2007 to FY 2008**
Instruction	5.8%	2.7%	8.5%	8.0%
Research	-1.7%	2.3%	10.6%	16.7%
Public Service	-1.2%	-3.8%	8.3%	15.5%
Academic Support	1.8%	12.3%	3.4%	10.5%
Student Services	2.7%	8.6%	10.2%	7.9%
Institutional Support	8.3%	-1.9%	13.2%	9.4%
Operation & Maintenance	13.4%	12.8%	1.3%	12.6%
Scholarships & Fellowships	8.9%	-3.6%	18.2%	13.2%
Other & Mandatory Transfers	20.5%	-21.4%	-17.5%	26.3%
Total	**5.7%**	**3.0%**	**8.0%**	**10.6%**

5 Year Percent Change		
Description	**$ Change from FY 2004 to FY 2008**	**% Change from FY 2004 to FY 2008**
Instruction	$ 78.3	27.3%
Research	15.9	29.8%
Public Service	9.6	18.9%
Academic Support	20.7	30.5%
Student Services	14.4	32.7%
Institutional Support	24.8	31.7%
Operation & Maintenance	32.9	46.1%
Scholarships & Fellowships	19.5	40.5%
Other & Mandatory Transfers	(0.2)	-1.3%
Total	**$ 215.9**	**30.2%**

NOTE: Numbers may not add due to rounding

Institutional Highlights

Executive Summary
Alcorn State University

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. ***Alcorn State University (ASU),*** founded in 1871, is located in Lorman, Mississippi. ASU holds the distinction of being the oldest black Land-Grant university in the United States. The university is a Carnegie Master's One institution. ASU is currently a Four-Year 4 SREB institution offering approximately 50 programs leading to associate, baccalaureate, master's, and specialist degrees.

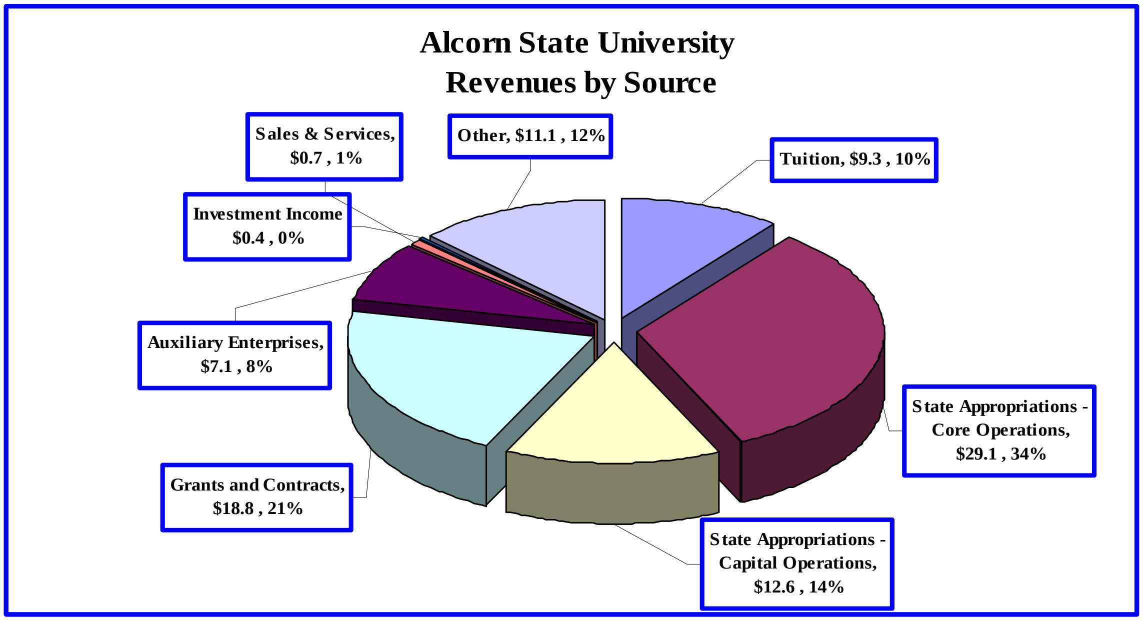
Background and Overview
ASU has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. ASU incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, the total assets were $135.4 million, compared to $119.5 million on June 30, 2007, an increase of $15.9 million.

Liabilities increased to $9.4 million as of June 30, 2008. At June 30, 2007, liabilities were equal to $3.7 million. Bonded Debt was only two percent of the institution's total liabilities.

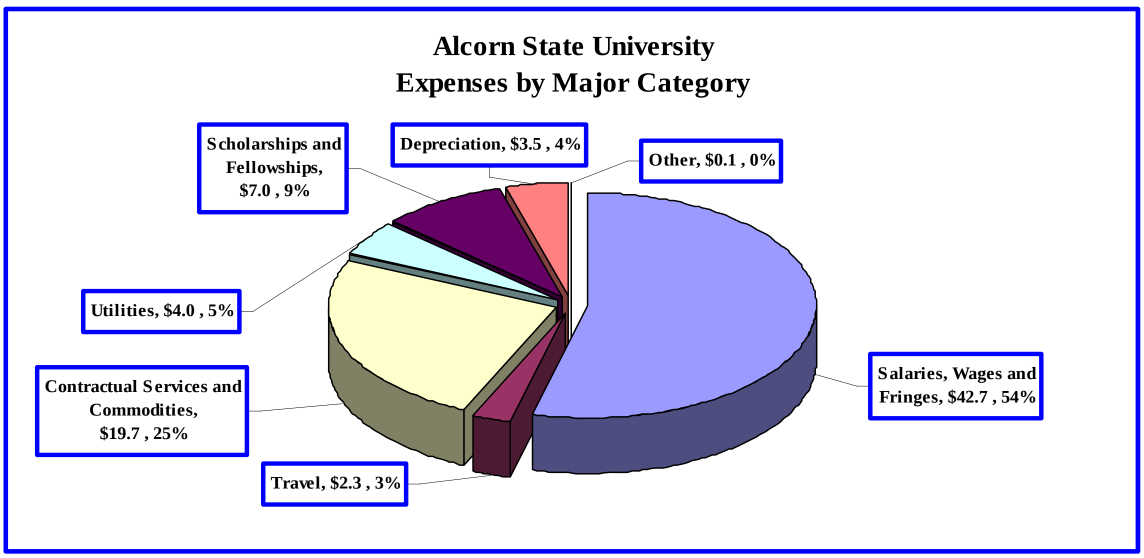
Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total Net Assets equaled $126.0 million on June 30, 2008, and $115.8 million on June 30, 2007. The $10.2 million increase in net assets represents an increase in the university's equity.

Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment, or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses
ASU's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenues of $89.1 million from all sources and all funds. State Appropriations for Core Operations (33%) and Contracts and Grants (21%) made up the largest categories of revenue for the university. Tuition revenue was equal to 10% of the total revenue pie.



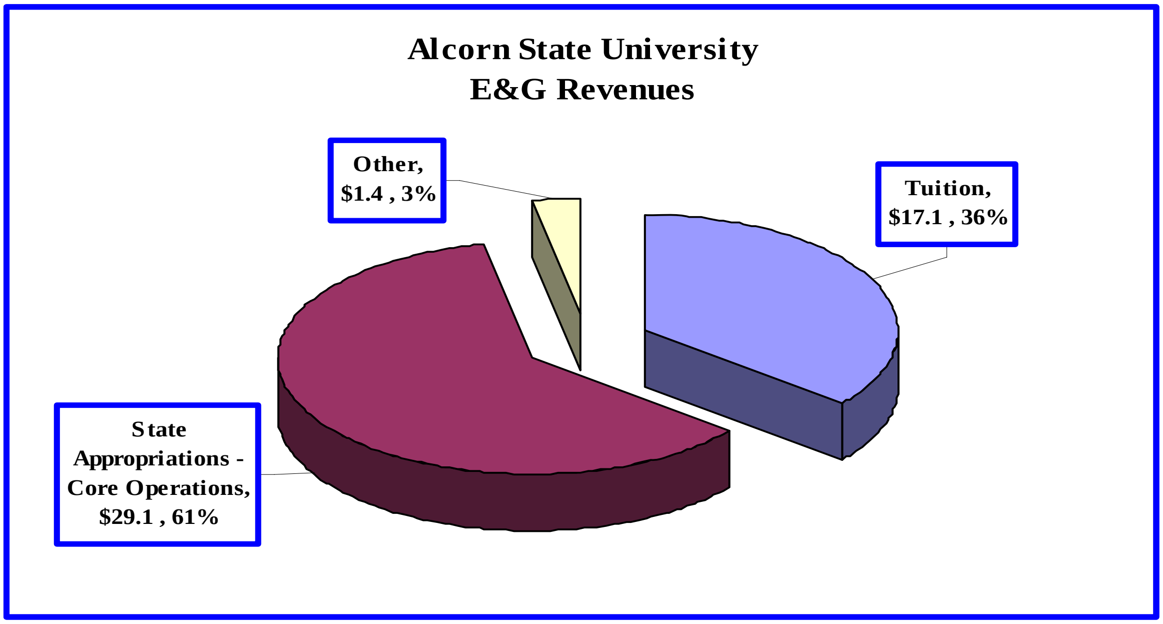
ASU expended $79.3 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages, and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 54% ($42.7 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Most ASU employees received 5% pay increases during the year. Commodities and contractual services made up approximately 25% of the dollars expended ($19.7 million). Scholarships and Fellowships expense rose almost 17% in Fiscal Year 2008 (to $7.0 million).



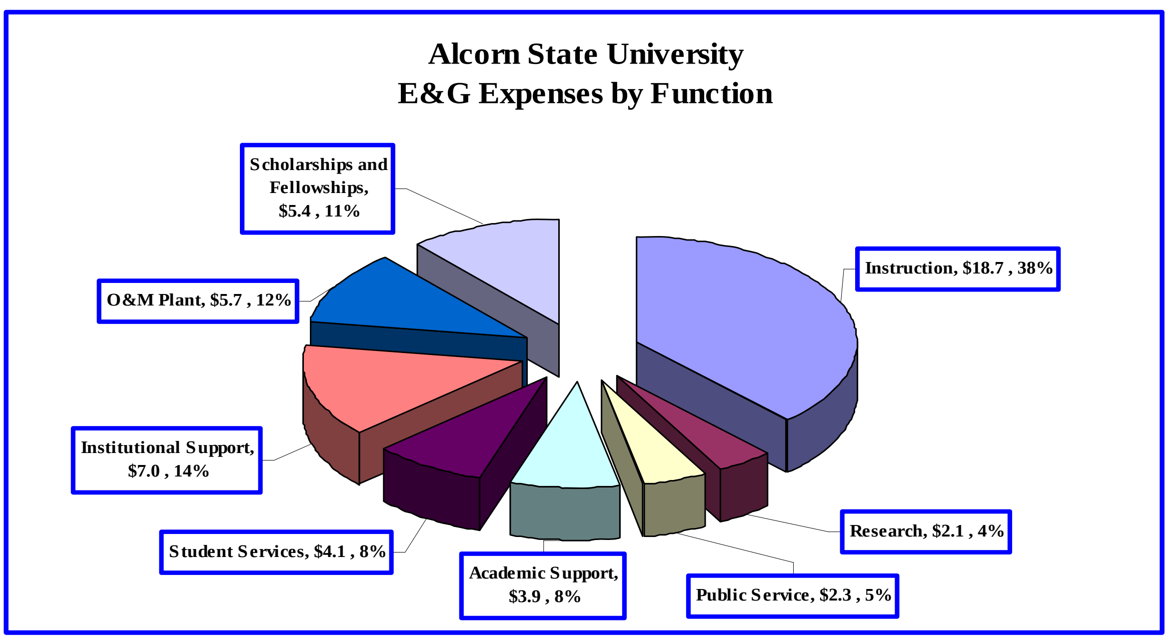
Education and General Funds

The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (36%) and State Appropriations for Core Operations (61%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008, tuition revenue increased by $5.0

million as a result of enrollment *and* tuition increases. State appropriations have increased 21.8% since Fiscal Year 2004. These appropriations include funding earmarked for the *Ayers* Settlement. Total E&G revenues for Fiscal Year 2008 were $47.6 million.



During Fiscal Year 2008, approximately 38% of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $2.8 million, or 17.6%, from Fiscal Year 2004 to Fiscal Year 2008. Institutional Support expenses increases $2.5 million in Fiscal Year 2008 (55.6%, while Research Expenses increases almost $1.0 million during this same time period (75%). The total E&G expenses for Fiscal Year 2008 were equal to $49.2 million.



Financial Ratios and Trends

Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 9.17 on June 30, 2007, and 3.73 on June 30, 2008. This increase means that E&G assets proportionally grew faster than E&G liabilities. Specifically, the current ratio of 3.73 implies that the institution had E&G assets to cover over 370% of its E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to 1, or 2.00.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .03 on June 30, 2007, but slipped to a negative <.03> on June 30, 2008. This ratio indicates that the university ended Fiscal Year 2008 with a net operating deficit. Any positive number means the university ended the year with a surplus. The rule of thumb for this ratio is a positive rating between .02 and .04 annually.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was 65.33, and for June 30, 2008, the ratio was 89.00. The increasing trend indicates that the university's liquidity position continues to strengthen. This performance is supported by the fact that ASU has very little long-term debt at the present moment. ASU's debt load at June 30, 2007 was less than $250,000. There is no established rule of thumb for this indicator, but a positive trend indicates that Unrestricted Net Assets are growing faster than debt. This improves the ability of the institution to attract capital from outside sources. ASU has had an increasing trend since Fiscal Year 2003.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio was .25 on June 30, 2007, and .19 on June 30, 2008. Unrestricted Net assets decreased slightly during 2008 due to institutional core expenses outpacing revenues for the year. Institutions should maintain a reserve (net assets) to meet unexpected needs and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G unrestricted net assets to grow at the same rate as expenses. A ratio of .19 means an institution could operate for approximately two and one half months before relying on new resources. The reserve is healthy at .25. ASU's ratio remains one of the largest in the IHL System.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper threshold for the Debt Burden Ratio at 7% (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7% of operating expenses. The university spent less than 1% on debt, which is well below that industry rule of thumb. ASU relies very little on debt.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. ASU's coverage decreased dramatically to a negative (16.2) for Fiscal Year 2008. In 2007 the ratio stood at 26.76. The one year fluctuation was influenced by many factors, but in large part was caused a material decrease in revenues ($4.4 million). Although ASU's five year trend is still healthy, the institution will want to keep on eye on this indicator's future performance.

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio could mean that the institution is not collecting student tuition receivables timely. At June 30, 2008, ASU's indicator stood at 53.8%, up slightly from the 52.2% at June 30, 2008. This performance is considerably higher than the average institutional percentage (12.4%). ASU should continue monitoring the collection of receivables.

Conclusion

This report is intended to show the fiscal size of the university, sources of revenue, ways the monies are expended, and to analyze the financial health of the university through the use of ratio analyses. The ratios appear within appropriate ranges except for the receivable ratios. The university is working diligently to correct past practice in this area.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 1

Alcorn State University

System Financial Highlights - GASB Presentation

(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 14.3	$ 17.6	$ 19.8	$ 23.0	$ 25.1	$ 2.1	9.1%	75.1%
Capital Assets	74.9	74.6	75.3	90.7	100.9	10.2	11.2%	34.7%
Other Non-Current Assets	2.4	1.0	4.0	5.8	9.4	3.6	62.1%	289.7%
Total Assets	**$ 91.6**	**$ 93.2**	**$ 99.1**	**$ 119.5**	**$ 135.4**	**$ 15.9**	**13.3%**	**47.7%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 5.7	$ 5.7	$ 6.0	$ 2.1	$ 6.5	$ 4.4	209.5%	13.7%
Non-Current Liabilities	2.0	2.1	1.9	1.6	2.9	1.3	81.3%	46.0%
Net Assets	83.9	85.4	91.2	115.8	126.0	10.2	8.8%	50.1%
Total Liabilities and Net Assets	**$ 91.6**	**$ 93.2**	**$ 99.1**	**$ 119.5**	**$ 135.4**	**$ 15.9**	**13.3%**	**47.7%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $5.9m, $6.2m, $6.8m, $7.6m & $7.9m respectively)	$ 6.2	$ 7.6	$ 8.7	$ 9.2	$ 9.3	$ 0.1	1.1%	49.2%
State Appropriations - Core Operations	23.9	23.1	24.2	25.7	29.1	3.4	13.2%	21.9%
State Appropriations - Capital	-	3.9	6.3	17.9	12.6	(5.3)	-29.6%	#DIV/0!
Grants and Contracts	21.4	22.3	21.8	29.7	18.8	(10.9)	-36.7%	-12.3%
Auxiliary Enterprises - Net	4.8	4.9	6.5	7.2	7.1	(0.1)	-1.4%	47.1%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	0.5	0.3	0.3	0.7	0.7	-	0.0%	40.0%
Investment Income	-	0.1	0.1	0.3	0.4	0.1	33.3%	#DIV/0!
Other	7.2	2.3	3.3	2.8	11.1	8.3	296.4%	53.7%
Total Revenues	**$ 64.1**	**$ 64.5**	**$ 71.2**	**$ 93.5**	**$ 89.1**	**$ (4.4)**	**-4.7%**	**39.0%**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 34.6	$ 36.3	$ 35.9	$ 37.4	$ 42.7	$ 5.3	14.2%	23.6%
Travel	1.9	1.9	1.8	2.1	2.3	0.2	9.5%	19.4%
Contractual Services & Commodities	13.9	14.3	14.6	19.4	19.7	0.3	1.5%	41.8%
Utilities	2.3	2.9	3.5	3.5	4.0	0.5	14.3%	77.5%
Scholarships and Fellowships	4.7	4.4	5.5	6.0	7.0	1.0	16.7%	50.4%
Depreciation	3.2	3.1	3.1	3.9	3.5	(0.4)	-10.3%	10.9%
Interest on Capital Assets	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Other	0.8	0.3	0.3	-	0.1	0.1	#DIV/0!	-87.3%
Total Expenses	**$ 61.2**	**$ 63.2**	**$ 64.7**	**$ 72.3**	**$ 79.3**	**$ 7.0**	**9.7%**	**29.5%**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 0.8	$ 0.6	$ 0.5	$ 0.3	$ 0.2	$ (0.1)	-33.3%	-74.2%
Capital Leases	0.8	0.1	-	-	-	-	#DIV/0!	-100.0%
Total Debt	**$ 1.6**	**$ 0.7**	**$ 0.5**	**$ 0.3**	**$ 0.2**	**$ (0.1)**	**-33.3%**	**-87.7%**
Investments	**$ 5.1**	**$ 5.1**	**$ 6.7**	**$ 8.1**	**$ 9.5**	**$ 1.4**	**17.3%**	**87.9%**
Investment Income	**$ -**	**$ 0.1**	**$ 0.1**	**$ 0.3**	**$ 0.4**	**$ 0.1**	**33.3%**	**#DIV/0!**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 2

Alcorn State University
Financial Highlights - Education and General
(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 12.1	13.8	$ 15.6	$ 16.4	$ 17.1	$ 0.7	4.27%	41.3%
State Appropriations - Core Operations	23.9	23.1	24.2	25.7	29.1	3.4	13.23%	21.8%
Other	2.2	2.4	1.6	1.6	1.4	(0.2)	-12.50%	-36.4%
Total Revenue	**$ 38.2**	**39.3**	**$ 41.4**	**$ 43.7**	**$ 47.6**	**$ 3.9**	**8.92%**	**24.6%**
2004 constant dollars	**$ 36.2**	**$ 36.1**	**$ 37.0**	**$ 38.0**	**$ 40.4**	**$ 2.4**	**6.21%**	**11.5%**
2004 constant dollars per FTE[4]	**$ 12,761**	**$ 11,932**	**$ 11,677**	**$ 11,795**	**$ 12,387**	**$ 591**	**5.01%**	**-2.9%**
Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**			**FY 2004 - FY 2008 = 17.91% increase**				
Expenses - by Function	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Instruction	$ 15.9	$ 16.1	$ 16.5	$ 17.7	$ 18.7	$ 1.0	5.65%	17.6%
Research	1.0	0.9	0.9	1.2	2.1	0.9	75.0%	104.9%
Public Service	2.9	2.6	2.4	2.2	2.3	0.1	4.5%	-20.4%
Academic Support	2.0	2.4	2.4	2.7	3.9	1.2	44.4%	94.9%
Student Services	3.3	3.4	3.8	3.6	4.1	0.5	13.9%	23.6%
Institutional Support	4.0	4.8	4.3	4.5	7.0	2.5	55.6%	74.1%
Operation & Maintenance	3.5	3.5	4.2	5.4	5.7	0.3	5.6%	61.4%
Scholarships & Fellowships	4.3	4.7	4.7	4.9	5.4	0.5	10.2%	26.6%
Other & Mandatory Transfers	0.6	0.5	0.2	0.1	-	(0.1)	-100.0%	-100.0%
Total Expenses	**$ 37.6**	**$ 38.9**	**$ 39.4**	**$ 42.3**	**$ 49.2**	**$ 6.9**	**16.3%**	**30.9%**
2004 constant dollars	**$ 35.6**	**$ 35.7**	**$ 35.2**	**$ 36.8**	**$ 41.7**	**$ 4.9**	**13.41%**	**17.1%**
2004 constant dollars per FTE[4]	**$ 12,558**	**$ 11,811**	**$ 11,113**	**$ 11,418**	**$ 12,803**	**$ 1,386**	**12.14%**	**1.9%**
Key Financial Indicators (Formulas in Glossary)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Current Ratio (measures liquidity)	2.87	2.31	3.77	9.17	3.73	(5.44)	-59.3%	29.9%
Net Operating Ratio (measures financial performance)	0.01	0.01	0.05	0.03	(0.03)	(0.06)	-200.0%	-302.0%
Viability Ratio (measures relative liquidity)	5.36	13.43	24.60	65.33	89.00	23.67	36.2%	1561.2%
Primary Reserve Ratio (measures financial strength)	0.16	0.16	0.23	0.25	0.19	(0.06)	-24.0%	18.2%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.01	0.00	0.00	-	#DIV/0!	-100.0%
Debt Coverage Ratio (measures excess income to cover debt)	0.93	0.55	6.51	26.76	(16.20)	(42.96)	-160.5%	-1841.9%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	57.0%	46.1%	48.9%	52.2%	53.8%	1.6%	3.0%	-5.6%
Selected Data- SYSTEM								
Capital Assets - System (net of depreciation)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Land	$ 0.8	$ 0.8	$ 0.8	$ 0.9	$ 0.9	$ -	0.0%	6.4%
Construction in Progress	7.7	8.9	4.6	22.0	33.3	11.3	51.4%	330.2%
Buildings	61.2	60.2	65.4	63.2	60.7	(2.5)	-4.0%	-0.8%
Improvements other than Buildings	1.9	2.5	2.3	3.2	3.5	0.3	9.4%	82.7%
Equipment	1.9	0.7	0.6	(0.1)	0.8	0.9	-900.0%	-57.1%
Library Books	1.3	1.4	1.4	1.5	1.7	0.2	13.3%	34.1%
Livestock	0.1	0.1	-	-	-	0.0	#DIV/0!	-100.0%
Total Capital Assets	**$ 74.9**	**$ 74.6**	**$ 75.1**	**$ 90.7**	**$ 100.9**	**$ 10.2**	**11.2%**	**34.7%**
Historical Cost	**$ 120.6**	**$ 123.4**	**$ 127.2**	**$ 146.6**	**$ 160.2**	**$ 13.6**	**9.3%**	**32.8%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Executive Summary
Delta State University

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. ***Delta State University (DSU),*** established in 1924, is located in Cleveland, Mississippi. DSU is a Carnegie Master's One institution and has the distinction of offering the state's only four-year commercial aviation program. DSU is currently a Four-Year 4 SREB institution offering approximately 67 programs leading to baccalaureate, master's, specialist, and doctorate degrees.

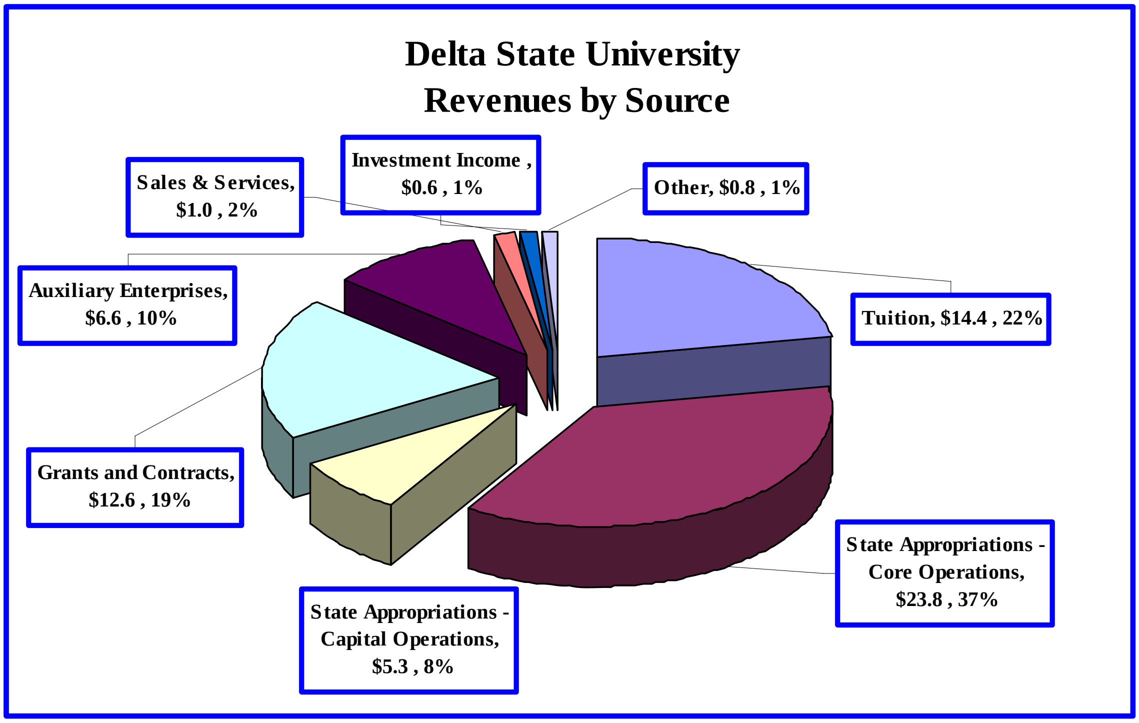
Background and Overview
DSU has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. DSU incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, the total assets were equal to $103.6 million, compared to $102.0 million, on June 30, 2007, a small increase of $1.6 million.

Liabilities increased to $14.2 million as of June 30, 2008. At June 30, 2007, liabilities were equal to $12.4 million. Debt was approximately $6.8 million (48%) of the liabilities.

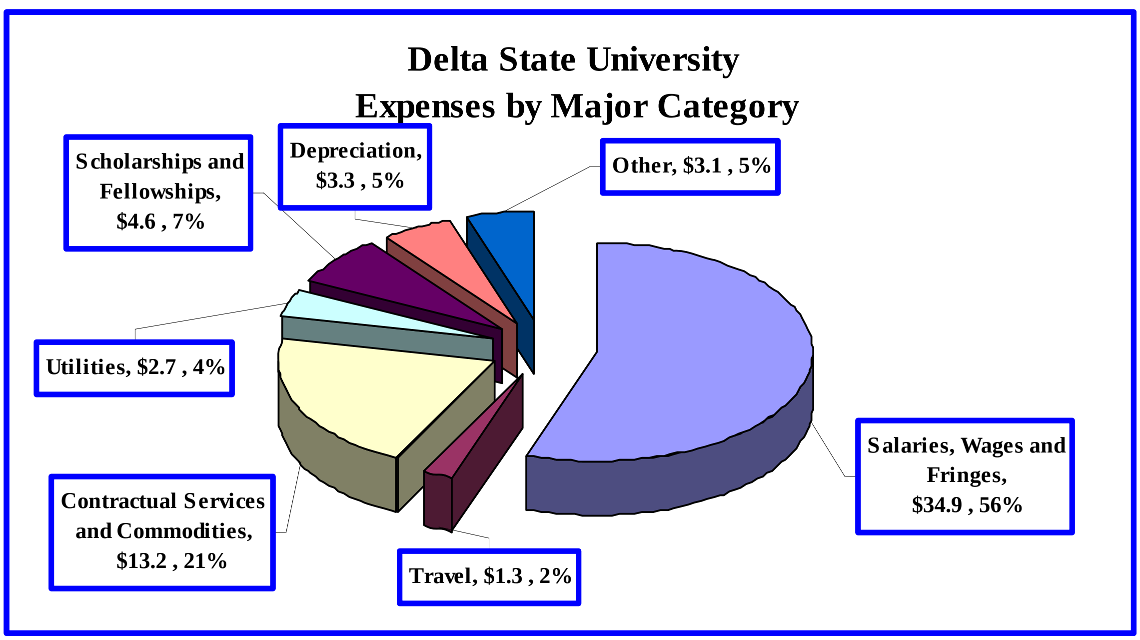
Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total Net Assets equaled $89.4 million on June 30, 2008, and $89.6 million on June 30, 2007. The $0.2 million decrease in net assets represents a decrease in the university's equity.

Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment, or restricted dollars do not give the universities added flexibility with respect to operations.

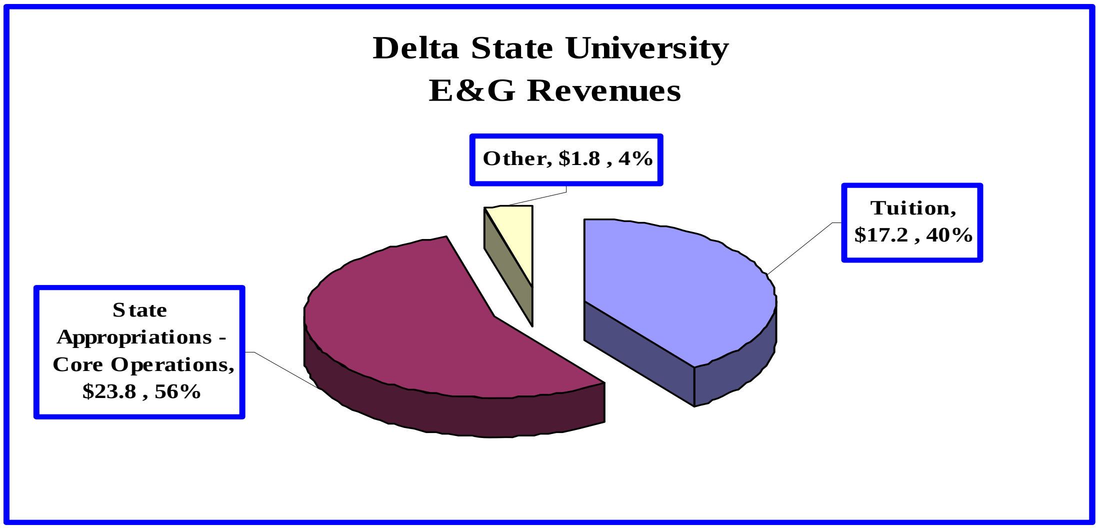
System Revenues and Expenses
DSU's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenue of $65.0 million from all sources and all funds. When compared to all revenues, State Appropriations for Core Operations (37%), Tuition (22%), and Contracts and Grants (19%) made up some of the largest categories of revenue for the university.



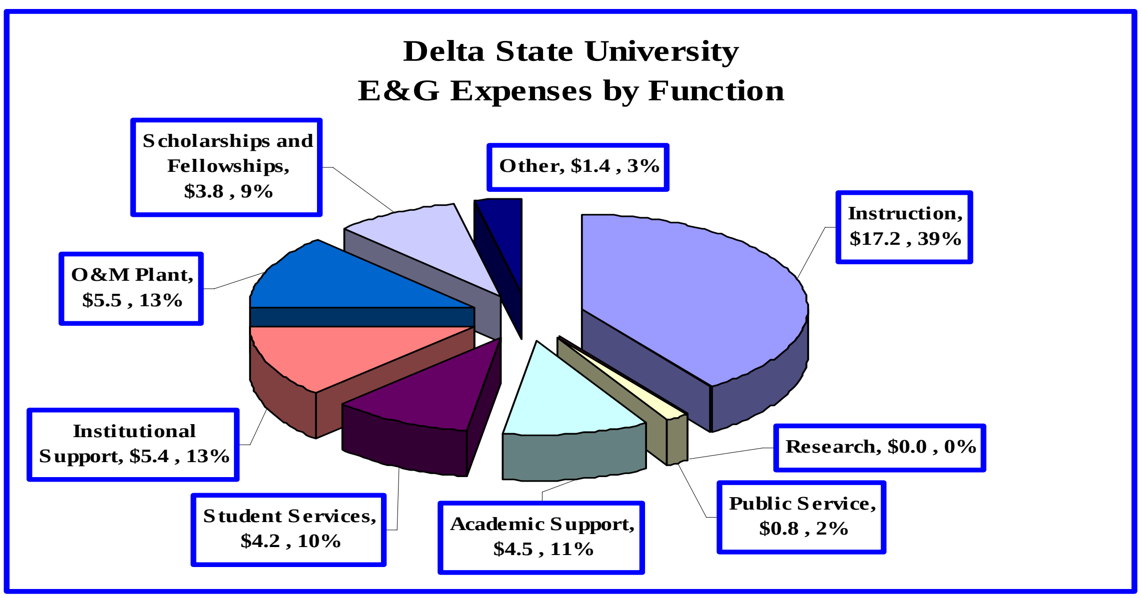
DSU expended $63.1 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 56% ($34.9 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Most DSU employees received 5% pay increases during 2008. Commodities and contractual services made up approximately 21% of the dollars expended ($13.2 million). Student Scholarships and Fellowships expense decreased 13.2% during the year, down to $4.6 million.



Education and General Funds
The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (40%) and State Appropriations for Core Operations (56%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 tuition revenue increased by $4.3 million as a result of enrollment *and* tuition increases. State appropriations have increased approximately 17.4% since Fiscal Year 2004. Total E&G revenues for Fiscal Year 2008 were equal to $42.8 million.



During Fiscal Year 2008, approximately 39% of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $3.4 million, or 23.5%, from Fiscal Year 2004 to Fiscal Year 2008. Expenses attributable to the instruction function during Fiscal Year 2008 increased by $1.4 million (8.9%). Institutional Support expense increased 12.5% in Fiscal Year 2008, up to $5.4 million. Total E&G expenses for Fiscal Year 2008 were $42.8 million.



Financial Ratios and Trends
Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 2.64 on June 30, 2007, and 2.42 on June 30, 2008. This decrease means that E&G liabilities proportionally grew at a slightly aster rate than E&G assets during the year. Specifically, the current ratio of 2.42 implies that the institution had E&G to cover over 240% of its R&G liabilities. The rule of thumb (non-industry specific) for this ratio is should be 2 to 1, or 2.00.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .03 on June 30, 2007, but decreased to a flat .00 on June 30, 2008. This ratio indicated that the university ended Fiscal Year 2008 with no significant net operating surplus or deficit. Any positive number means the university ended the year with a surplus. The rule of thumb for this ratio is a positive rating between .02 and .04 annually.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was .85, and at June 30, 2008, the ratio was .71. The decreasing trend indicates that the university's liquidity position weakened slightly during Fiscal Year 2008. DSU had $6.8 million in debt down from $7.0 million the previous year. There is no established rule of thumb for this indicator, but a positive trend indicates that Unrestricted Net Assets are growing faster than debt. This improves the ability of the institution to attract capital from outside sources.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio was .05 on June 30, 2007, and .04 on June 30, 2008. Unrestricted Net assets generally kept pace with institutional growth. Institutions should maintain a reserve (net assets) to meet unexpected needs, and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G unrestricted net assets to grow at the same growth rate as expenses. A ratio of .04 means the institution could operate for approximately two weeks without reliance on new resources.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper threshold for the Debt Burden Ratio at 7% (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7% of operating expenses. The university spent approximately 3% (a ratio of .03) on debt, which is well below the industry rule of thumb. DSU does not significantly rely on debt.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. DSU's coverage increased to 2.16 for Fiscal Year 2008. This was a marked increase over 2007, when it stood at a negative (1.47). DSU's five year trend coverage is relatively healthy.

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio could indicate that the institution is not collecting student tuition receivables timely. At June 30, 2008, DSU's indicator was 17.4%, up slightly from the 15.4% recorded at June 30, 2007. This performance is higher than the average institutional percentage of 12.4%. DSU should continue monitoring the collection of receivables.

Conclusion

This report is intended to show the fiscal size of the university, sources of revenue, ways the monies are expended, and to analyze the financial health of the university through the use of ratio analyses.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Delta State University

System Financial Highlights - GASB Presentation

(in millions)

Statement of Net Assets

Assets	**June 30, 2004**	**June 30, 2005**	**June 30, 2006**	**June 30, 2007**	**June 30, 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Current Assets	$ 7.6	$ 8.0	$ 6.5	$ 6.3	$ 6.5	$ 0.2	3.2%	-14.5%
Capital Assets	73.9	78.6	81.2	85.4	87.5	2.1	2.5%	18.4%
Other Non-Current Assets	15.8	13.1	9.3	10.3	9.6	(0.7)	-6.8%	-39.2%
Total Assets	**$ 97.3**	**$ 99.7**	**$ 97.0**	**$ 102.0**	**$ 103.6**	**$ 1.6**	**1.6%**	**6.5%**

Liabilities and Net Assets	**June 30, 2004**	**June 30, 2005**	**June 30, 2006**	**June 30, 2007**	**June 30, 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Current Liabilities	$ 4.0	$ 5.1	$ 4.6	$ 4.7	$ 5.0	$ 0.3	6.4%	25.0%
Non-Current Liabilities	8.6	9.6	8.6	7.7	9.2	1.5	19.5%	7.0%
Net Assets	84.6	85.0	83.8	89.6	89.4	(0.2)	-0.2%	5.7%
Total Liabilities and Net Assets	**$ 97.2**	**$ 99.7**	**$ 97.0**	**$ 102.0**	**$ 103.6**	**$ 1.6**	**1.6%**	**6.6%**

Revenues and Expenses

Revenues	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**Fiscal Year 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Tuition (net of scholarship allowance of $3.8m, $4.7m, $5.0m, $4.0m & $4.4m respectively)	$ 10.2	$ 10.7	$ 11.8	$ 14.3	$ 14.4	$ 0.1	0.7%	41.2%
State Appropriations - Core Operations	20.3	20.8	20.5	22.6	23.8	1.2	5.3%	17.2%
State Appropriations - Capital	7.1	5.1	5.5	7.4	5.2	(2.2)	-29.7%	-26.8%
Grants and Contracts	12.9	13.6	13.2	8.5	12.6	4.1	48.2%	-2.3%
Auxiliary Enterprises - Net	5.3	5.6	5.5	6.3	6.6	0.3	4.8%	24.5%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	0.8	0.8	1.1	1.0	1.0	-	0.0%	25.0%
Investment Income	0.3	0.5	0.2	0.8	0.6	(0.2)	-25.0%	100.0%
Other	0.7	1.3	1.3	5.0	0.8	(4.2)	-84.0%	14.3%
Total Revenues	**$ 57.6**	**$ 58.4**	**$ 59.1**	**$ 65.9**	**$ 65.0**	**$ (0.9)**	**-1.4%**	**12.8%**

Expenses	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**Fiscal Year 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Salaries, Wages, and Fringe Benefits	$ 30.5	$ 30.8	$ 30.8	$ 32.8	$ 34.9	$ 2.1	6.4%	14.4%
Travel	0.9	1.0	1.2	1.4	1.3	(0.1)	-7.1%	44.4%
Contractual Services & Commodities	10.2	11.8	12.2	13.3	13.2	(0.1)	-0.8%	29.4%
Utilities	2.6	2.7	3.9	3.0	2.7	(0.3)	-10.0%	3.8%
Scholarships and Fellowships	3.7	3.4	3.6	5.3	4.6	(0.7)	-13.2%	24.3%
Depreciation	2.5	1.9	1.9	2.8	3.3	0.5	17.9%	32.0%
Interest on Capital Assets	0.3	0.5	0.5	0.4	0.4	-	0.0%	33.3%
Other	1.9	3.2	6.2	1.4	2.7	1.3	92.9%	42.1%
Total Expenses	**$ 52.6**	**$ 55.3**	**$ 60.3**	**$ 60.4**	**$ 63.1**	**$ 2.7**	**4.5%**	**20.0%**

Selected Data

Debt	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**Fiscal Year 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Bonded Debt & Notes Payable	$ 6.8	$ 6.4	$ 6.1	$ 5.8	$ 5.6	$ (0.2)	-3.4%	-17.6%
Capital Leases	0.5	2.6	1.9	1.2	1.2	-	0.0%	140.0%
Total Debt	**$ 7.3**	**$ 9.0**	**$ 8.0**	**$ 7.0**	**$ 6.8**	**$ (0.2)**	**-2.9%**	**-6.8%**
Investments	**$ 15.3**	**$ 12.0**	**$ 8.4**	**$ 9.3**	**$ 8.8**	**$ (0.5)**	**-5.4%**	**-42.5%**
Investment Income	**$ 0.3**	**$ 0.6**	**$ 0.2**	**$ 0.8**	**$ 0.6**	**$ (0.2)**	**-25.0%**	**100.0%**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 4

Delta State University

Financial Highlights - Education and General

(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 12.9	$ 14.2	$ 15.4	$ 16.9	$ 17.2	$ 0.3	1.78%	33.7%
State Appropriations - Core Operations	20.3	20.8	20.5	22.6	23.8	1.2	5.31%	17.4%
Other	1.1	1.5	1.5	1.3	1.8	0.5	38.46%	58.8%
Total Revenue	**$ 34.3**	**$ 36.5**	**$ 37.4**	**$ 40.8**	**$ 42.8**	**$ 2.0**	**4.90%**	**24.9%**
2004 constant dollars	**$ 32.5**	**$ 33.5**	**$ 33.4**	**$ 35.5**	**$ 36.3**	**$ 0.8**	**2.28%**	**11.8%**
2004 constant dollars per FTE[4]	**$ 10,192**	**$ 10,092**	**$ 9,788**	**$ 10,300**	**$ 10,785**	**$ 485**	**4.71%**	**5.8%**

Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**	**FY 2004 - FY 2008 = 17.91% increase**

Expenses - by Function	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Instruction	$ 13.8	$ 14.5	$ 15.2	$ 15.8	$ 17.2	$ 1.4	8.86%	24.5%
Research	0.0	0.0	-	-	-	-	#DIV/0!	-100.0%
Public Service	1.0	0.8	0.8	0.8	0.8	-	0.0%	-17.7%
Academic Support	4.3	4.4	4.1	4.8	4.5	(0.3)	-6.3%	4.4%
Student Services	3.4	3.6	3.8	3.9	4.2	0.3	7.7%	23.6%
Institutional Support	3.6	4.2	4.5	4.8	5.4	0.6	12.5%	48.9%
Operation & Maintenance	4.0	4.6	5.6	5.4	5.5	0.1	1.9%	37.1%
Scholarships & Fellowships	2.9	3.4	3.1	3.5	3.8	0.3	8.6%	30.0%
Other & Mandatory Transfers	1.0	0.7	0.9	1.5	1.4	(0.1)	-6.7%	40.0%
Total Expenses	**$ 34.1**	**$ 36.2**	**$ 38.0**	**$ 40.5**	**$ 42.8**	**$ 2.3**	**5.7%**	**25.6%**
2004 constant dollars	**$ 32.3**	**$ 33.2**	**$ 33.9**	**$ 35.2**	**$ 36.3**	**$ 1.1**	**3.04%**	**12.5%**
2004 constant dollars per FTE[4]	**$ 10,133**	**$ 10,012**	**$ 9,945**	**$ 10,224**	**$ 10,785**	**$ 561**	**5.48%**	**6.4%**

Key Financial Indicators (Formulas in Glossary)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Ratio (measures liquidity)	2.61	2.31	2.20	2.64	2.42	(0.22)	-8.3%	-7.4%
Net Operating Ratio (measures financial performance)	0.01	0.01	(0.02)	0.03	0.00	(0.03)	-100.0%	-100.0%
Viability Ratio (measures relative liquidity)	0.97	0.77	0.68	0.85	0.71	(0.14)	-16.5%	-26.7%
Primary Reserve Ratio (measures financial strength)	0.09	0.08	0.04	0.05	0.04	(0.01)	-20.0%	-56.2%
Debt Burden Ratio (measures dependence on debt)	0.02	0.03	0.03	0.03	0.03	-	0.0%	81.1%
Debt Coverage Ratio (measures excess income to cover debt)	2.88	0.56	1.03	(1.47)	2.16	3.63	-246.9%	-25.0%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	10.2%	11.2%	12.3%	15.4%	17.4%	2.0%	12.9%	69.7%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Land	$ 0.9	$ 0.9	$ 0.9	$ 0.9	$ 0.9	$ -	0.0%	3.8%
Construction in Progress	11.4	6.0	1.0	6.8	10.3	3.5	51.5%	-9.9%
Buildings	54.2	63.8	70.2	69.4	67.7	(1.7)	-2.4%	24.9%
Improvements other than Buildings	2.8	2.6	3.7	3.1	3.3	0.2	6.5%	19.1%
Equipment	2.3	3.0	3.0	2.8	2.8	-	0.0%	19.7%
Library Books	2.3	2.3	2.4	2.5	2.5	-	0.0%	9.8%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 73.9**	**$ 78.6**	**$ 81.2**	**$ 85.5**	**$ 87.5**	**$ 2.0**	**2.3%**	**18.4%**
Historical Cost	**$ 111.4**	**$ 118.1**	**$ 122.6**	**$ 129.6**	**$ 135.0**	**$ 5.4**	**4.2%**	**21.1%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Executive Summary
Jackson State University

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. ***Jackson State University (JSU),*** established in 1877, is located in the capitol city of Jackson, Mississippi. JSU holds the distinction of being the urban university for the system. JSU is a Carnegie Doctoral Research Intensive University. Within SREB, JSU is classified as a Four-Year 2 institution offering approximately 97 programs leading to baccalaureate, master's, specialist, and doctorate degrees.

Background and Overview

JSU has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. JSU incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, the total assets equaled $290.0 million, compared to $281.8 million on June 30, 2007, a increase of $8.2 million.

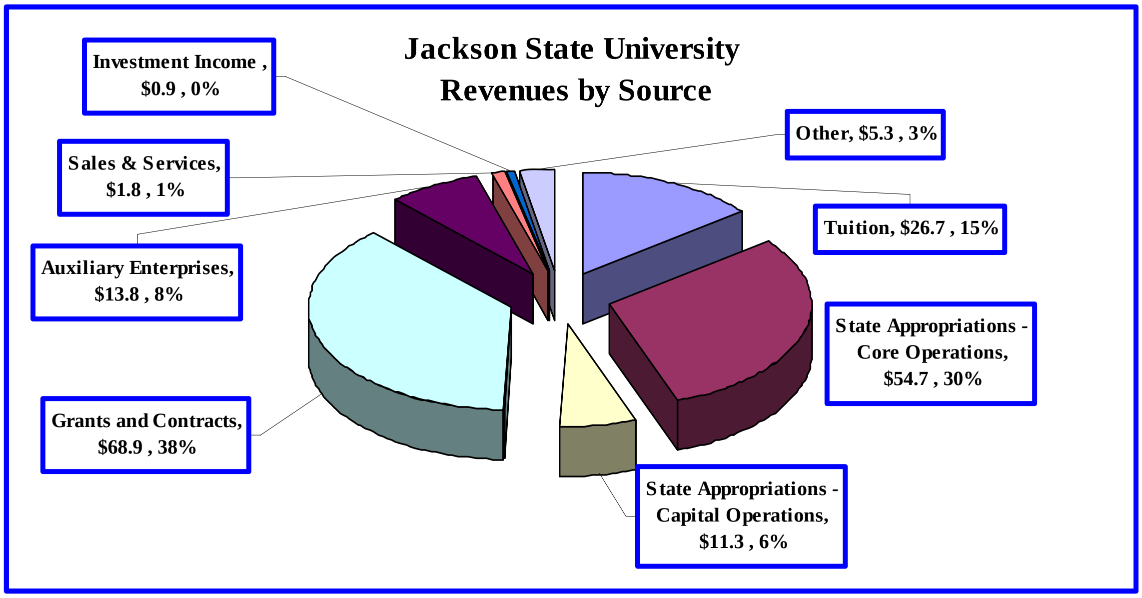
Liabilities increased to $115.8 million as of June 30, 2008. At June 30, 2007 liabilities equaled $107.8 million. Long-term debt increased to $92.8 million at June 30, 2008 (up $1.7 million). The long-term debt represented 80% of total liabilities at June 30, 2008.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total Net Assets equaled $174.2 million on June 30, 2008, and $174.0 million on June 30, 2007. The $0.2 million increase in net assets represents a increase in the university's equity.

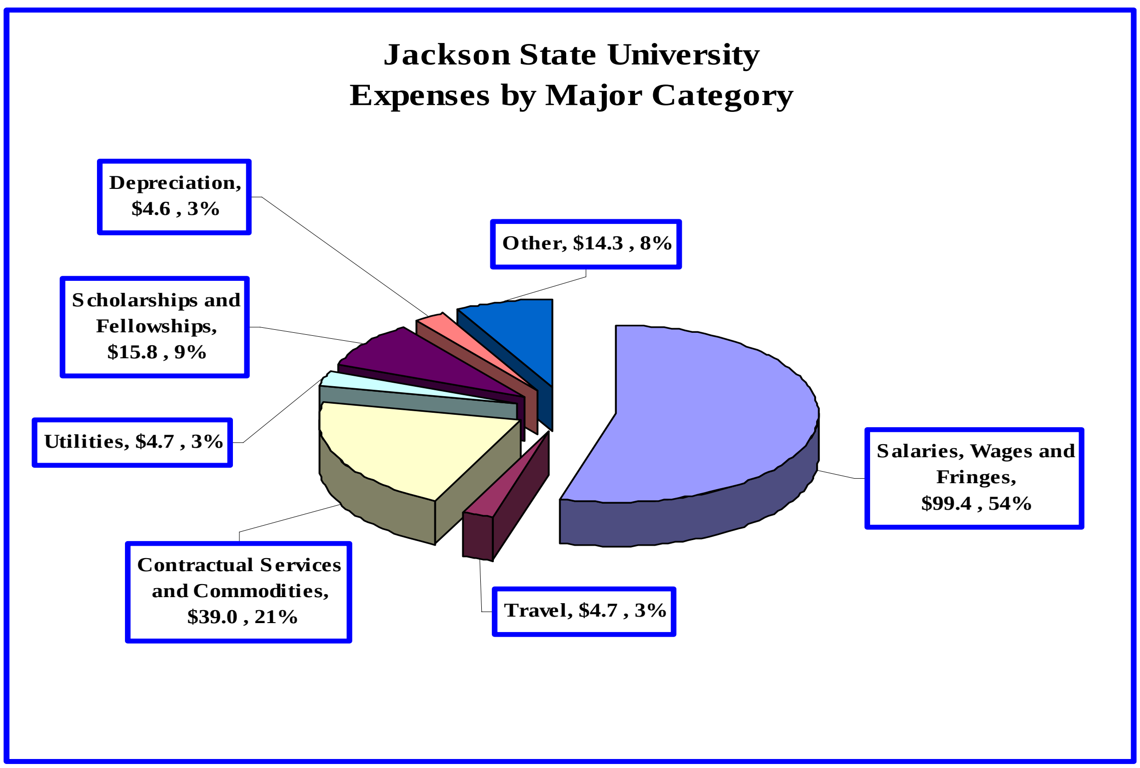
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment, or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

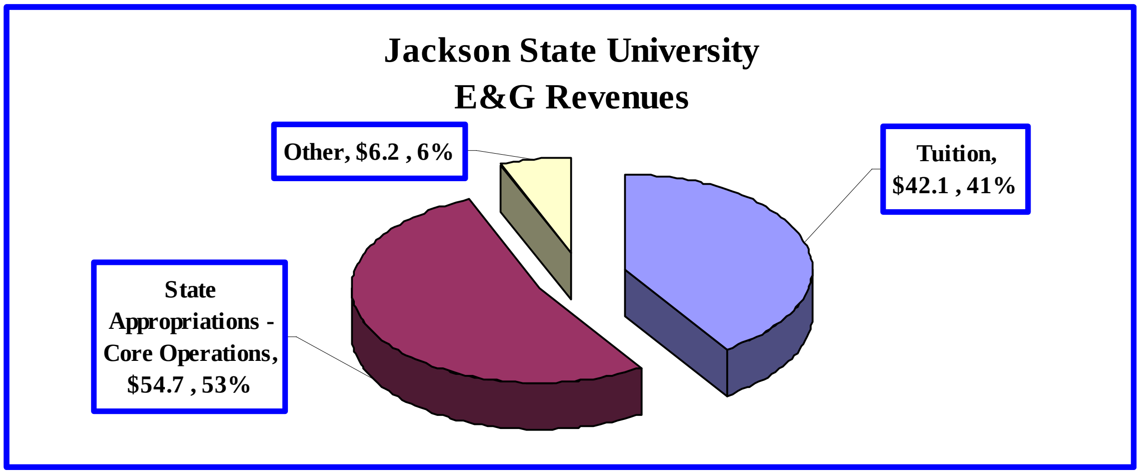
JSU's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenues of $183.4 million from all sources and all funds. When compared to all revenues, State Appropriations for Core Operations (30%), Contracts and Grants (38%) and Tuition (15%) made up the largest categories of revenue for the institution.



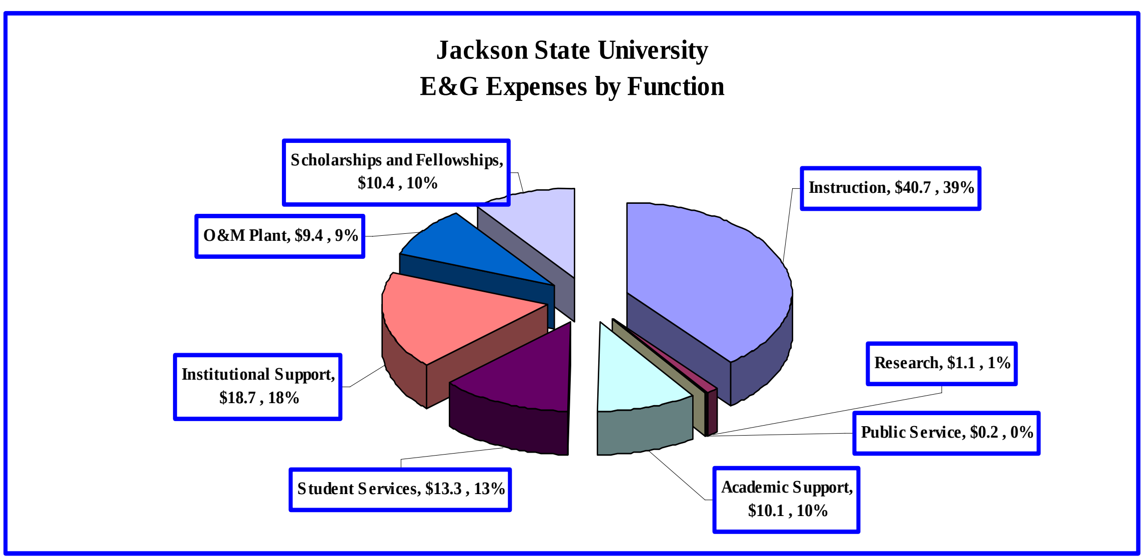
JSU expended $182.5 million in Fiscal Year 2008. Expenses were comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 54% ($99.4 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Most JSU employees received 5% pay increases during 2008. Commodities and contractual services made up approximately 21% of the dollars expended ($39.0 million for contractual services and commodities).



Education and General Funds
The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (41%) and State Appropriations for Core Operations (53%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 tuition revenues have increased by $9.8 million as a result of enrollment *and* tuition increases. State appropriation revenues increased approximately 30% since Fiscal Year 2004, up $6.1 million. These appropriations include funding earmarked for the *Ayers* Settlement. Total E&G revenues for Fiscal Year 2008 equaled $103.0 million.



During Fiscal Year 2008, approximately 39% of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $8.5 million, or 26.4% from Fiscal Year 2004 to Fiscal Year 2008. *Ayers* settlement funding accounts for some of this increase. Instruction spending increase $2.7 million during Fiscal Year 2008 (7.1% increase). Academic Support expenses increased $1.9 million in 2008 (up 23.3%), while spending for Scholarships and Fellowships increased $2.0 million (23.8%). Total E&G expenses for Fiscal Year 2008 equaled $103.9 million.



Financial Ratios and Trends
Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 3.68 on June 30, 2007, and 1.64 on June 30, 2008. The decrease in ratio means E&G liabilities grew at a greater pace in proportion to E&G asset growth. Specifically, the current ratio of 1.64 implies that the institution had E&G assets to cover over 160% of its E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to 1, or 2.00.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .02 on June 30, 2007, but fell to a negative <.01> on June 30, 2008. The negative performance indicates that the university ended Fiscal Year 2008 with an E&G operating deficit. Any positive number means the university ended the year with a surplus. The rule of thumb for this ratio is a positive rating between .02 and .04 annually.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2008 was .03, unchanged from June 30, 2007. There is no established rule of thumb for this indicator, but a negative trend indicates debt is growing faster than Unrestricted Net Assets. This hinders the ability of the institution to attract capital from outside sources.

The Primary Reserve Ratio measures the financial strength of an institution and describes its ability to support current operations from Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio was .07 on June 30, 2007, but had slipped to a negative .02 by June 30, 2008. Institutions should maintain a reserve (net assets) to meet unexpected needs, and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G net assets to grow at the same growth rate as expenses. A negative ratio indicates that the institution would have a difficult time operating without reliance on new resources. JSU should monitor this ratio to obtain the ability to operate not less than one month without reliance on additional revenues.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper threshold for the Debt Burden Ratio at 7% (or a ratio of .07) meaning current principal and interest expenses should not be greater than 7% of operating expenses. The university spent approximately 3% (a ratio of .03) on debt which is well below the 7 percent ceiling. However, with any additional debt, the principal and interest will demand more of the university's funds to service debt.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. JSU's coverage increased to 1.47 for Fiscal Year 2008. This was a nice increase over 2007, when it stood at a 0.96. JSU's five year trend coverage is relatively healthy.

The Percentage of Student Tuition Receivable (net of Allowance) to Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio could mean that the institution is not collecting student tuition receivables timely. At June 30, 2008 the indicator was 32.0%, down slightly from the 33.5% recorded at June 30, 2007. This performance is still considerably higher than the average institutional percentage of 12.4%. JSU should continue monitoring the collection of receivables.

Conclusion

This report is intended to show the fiscal size of the university, sources of revenue, ways the monies are expended, and to analyze the financial health of the university through the use of ratio analyses. The ratios appear within appropriate ranges.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Data
Table 5

Jackson State University
System Financial Highlights - GASB Presentation
(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 36.9	$ 110.2	$ 71.3	$ 27.6	$ 35.1	$ 7.5	27.2%	-4.8%
Capital Assets	144.4	154.5	191.6	213.1	231.1	18.0	8.4%	60.1%
Other Non-Current Assets	35.3	12.7	18.9	41.1	23.8	(17.3)	-42.1%	-32.6%
Total Assets	**$ 216.5**	**$ 277.4**	**$ 281.8**	**$ 281.8**	**$ 290.0**	**$ 8.2**	**2.9%**	**33.9%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 16.1	$ 10.1	$ 15.2	$ 13.2	$ 19.1	$ 5.9	44.7%	18.4%
Non-Current Liabilities	21.0	85.3	83.9	94.6	96.7	2.1	2.2%	359.7%
Net Assets	179.4	182.0	182.7	174.0	174.2	0.2	0.1%	-2.9%
Total Liabilities and Net Assets	**$ 216.5**	**$ 277.4**	**$ 281.8**	**$ 281.8**	**$ 290.0**	**$ 8.2**	**2.9%**	**33.9%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $5.2m, $5.3m, $14.6m, $14.8m & $16.6m respectively)	$ 28.3	$ 33.4	$ 26.0	$ 25.6	$ 26.7	$ 1.1	4.3%	-5.7%
State Appropriations - Core Operations	42.1	43.2	44.7	48.5	54.7	6.2	12.8%	29.9%
State Appropriations - Capital	11.9	8.0	9.0	15.5	11.3	(4.2)	-27.1%	-5.0%
Grants and Contracts	61.8	63.2	61.2	66.8	68.9	2.1	3.1%	11.6%
Auxiliary Enterprises - Net	8.7	9.9	11.3	11.6	13.8	2.2	19.0%	58.3%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	2.6	1.1	1.8	2.8	1.8	(1.0)	-35.7%	-30.8%
Investment Income	-	0.9	0.8	2.7	0.9	(1.8)	-66.7%	#DIV/0!
Other	20.4	5.9	10.0	7.4	5.3	(2.1)	-28.4%	-74.0%
Total Revenues	**$ 175.8**	**$ 165.6**	**$ 164.8**	**$ 180.9**	**$ 183.4**	**$ 2.5**	**1.4%**	**4.3%**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 73.0	$ 77.4	$ 84.4	$ 92.3	$ 99.4	$ 7.1	7.7%	36.1%
Travel	2.7	3.5	3.9	4.4	4.7	0.3	6.8%	77.2%
Contractual Services & Commodities	42.1	42.9	43.4	39.2	39.0	(0.2)	-0.5%	-7.4%
Utilities	4.5	4.0	6.0	4.9	4.7	(0.2)	-4.1%	5.3%
Scholarships and Fellowships	18.2	20.7	15.3	15.5	15.8	0.3	1.9%	-13.0%
Depreciation	3.4	5.0	5.5	5.4	4.6	(0.8)	-14.8%	33.9%
Interest on Capital Assets	0.9	2.1	3.3	3.8	5.8	2.0	52.6%	543.2%
Other	21.4	17.0	2.3	14.8	8.5	(6.3)	-42.6%	-60.3%
Total Expenses	**$ 166.2**	**$ 172.6**	**$ 164.1**	**$ 180.3**	**$ 182.5**	**$ 2.2**	**1.2%**	**9.8%**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 19.3	$ 84.4	$ 82.8	$ 91.1	$ 92.8	$ 1.7	1.9%	380.8%
Capital Leases	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Debt	**$ 19.3**	**$ 84.4**	**$ 82.8**	**$ 91.1**	**$ 92.8**	**$ 1.7**	**1.9%**	**380.8%**
Investments	**$ 46.8**	**$ 92.6**	**$ 50.9**	**$ 44.4**	**$ 15.0**	**$ (29.4)**	**-66.2%**	**-67.9%**
Investment Income	**$ -**	**$ 0.9**	**$ 0.8**	**$ 2.7**	**$ 0.9**	**$ (1.8)**	**-66.7%**	**#DIV/0!**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 6

Jackson State University
Financial Highlights - Education and General
(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 32.3	$ 37.1	$ 37.3	$ 38.6	$ 42.1	$ 3.5	9.07%	30.2%
State Appropriations - Core Operations	42.1	43.2	44.7	48.6	54.7	6.1	12.55%	30.0%
Other	5.5	4.3	6.5	9.1	6.2	(2.9)	-31.87%	12.2%
Total Revenue	**$ 79.9**	**$ 84.6**	**$ 88.5**	**$ 96.3**	**$ 103.0**	**$ 6.7**	**6.96%**	**28.9%**
2004 constant dollars	**$ 75.7**	**$ 77.7**	**$ 79.0**	**$ 83.8**	**$ 87.4**	**$ 3.6**	**4.29%**	**15.3%**
2004 constant dollars per FTE[4]	**$ 11,252**	**$ 10,926**	**$ 11,005**	**$ 11,860**	**$ 11,805**	**$ (55)**	**-0.46%**	**4.9%**
Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**			**FY 2004 - FY 2008 = 17.91% increase**				
Expenses - by Function (in Millions)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Instruction	$ 32.2	$ 35.2	$ 35.7	$ 38.0	$ 40.7	$ 2.7	7.11%	26.4%
Research	0.6	0.4	0.6	0.9	1.1	0.2	22.2%	90.5%
Public Service	0.2	0.0	0.2	0.2	0.2	-	0.0%	17.0%
Academic Support	6.9	6.3	8.3	8.2	10.1	1.9	23.2%	46.2%
Student Services	9.0	6.9	9.6	12.3	13.3	1.0	8.1%	48.1%
Institutional Support	10.9	13.3	16.0	17.4	18.7	1.3	7.5%	71.7%
Operation & Maintenance	7.3	9.3	10.2	8.6	9.4	0.8	9.3%	29.2%
Scholarships & Fellowships	6.4	8.2	8.5	8.4	10.4	2.0	23.8%	61.8%
Other & Mandatory Transfers	1.5	1.5	1.4	0.5	-	(0.5)	-100.0%	-100.0%
Total Expenses	**$ 74.9**	**$ 81.1**	**$ 90.5**	**$ 94.5**	**$ 103.9**	**$ 9.4**	**9.9%**	**38.7%**
2004 constant dollars	**$ 71.0**	**$ 74.5**	**$ 80.8**	**$ 82.2**	**$ 88.1**	**$ 5.9**	**7.20%**	**24.1%**
2004 constant dollars per FTE[4]	**$ 10,546**	**$ 10,475**	**$ 11,254**	**$ 11,638**	**$ 11,908**	**$ 270**	**2.32%**	**12.9%**
Key Financial Indicators (Formulas in Glossary)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Current Ratio (measures liquidity)	1.90	4.81	4.95	3.68	1.64	(2.04)	-55.4%	-13.7%
Net Operating Ratio (measures financial performance)	0.06	0.04	(0.02)	0.02	(0.01)	(0.03)	-150.0%	-116.5%
Viability Ratio (measures relative liquidity)	0.66	0.23	0.15	0.03	0.03	-	0.0%	-95.4%
Primary Reserve Ratio (measures financial strength)	0.08	0.06	0.04	0.07	(0.02)	(0.09)	-128.6%	-126.4%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.02	0.03	0.03	-	0.0%	50.4%
Debt Coverage Ratio (measures excess income to cover debt)	3.32	10.27	0.66	0.96	1.47	0.51	53.1%	-55.7%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	27.8%	28.7%	33.5%	35.2%	32.0%	-3.14%	-8.9%	15.1%
Selected Data- SYSTEM								
Capital Assets - System (net of depreciation)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Land	$ 6.5	$ 6.7	$ 7.2	$ 7.5	$ 8.1	$ 0.6	8.0%	24.9%
Construction in Progress	37.6	49.1	45.3	33.7	34.2	0.5	1.5%	-9.1%
Buildings	72.7	70.7	111.6	139.4	157.4	18.0	12.9%	116.5%
Improvements other than Buildings	17.2	17.6	17.3	26.3	27.0	0.7	2.7%	56.8%
Equipment	8.1	8.2	8.6	4.1	2.6	(1.5)	-36.6%	-67.9%
Library Books	2.2	2.2	1.6	2.1	1.8	(0.3)	-14.3%	-19.8%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 144.4**	**$ 154.5**	**$ 191.6**	**$ 213.1**	**$ 231.1**	**$ 18.0**	**8.4%**	**60.1%**
Historical Cost	**$ 201.5**	**$ 216.0**	**$ 258.6**	**$ 284.9**	**$ 306.3**	**$ 21.4**	**7.5%**	**52.0%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in million

Executive Summary
Mississippi State University

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. ***Mississippi State University (MSU)***, established in 1878, is located in Starkville, Mississippi. MSU is a Land-Grant university and has the distinction of featuring the state's only Veterinary Medicine School and Architecture program. The university is a Carnegie Doctoral Research Extensive institution. MSU is classified as a Four-Year 2 SREB institution offering approximately 174 programs leading to baccalaureate, master's, specialist, first-professional, and doctorate degrees.

Background and Overview

MSU has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. MSU incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, the total assets were equal to $828.5 million, compared to $791.1 million on June 30, 2007, an increase of $37.4 million.

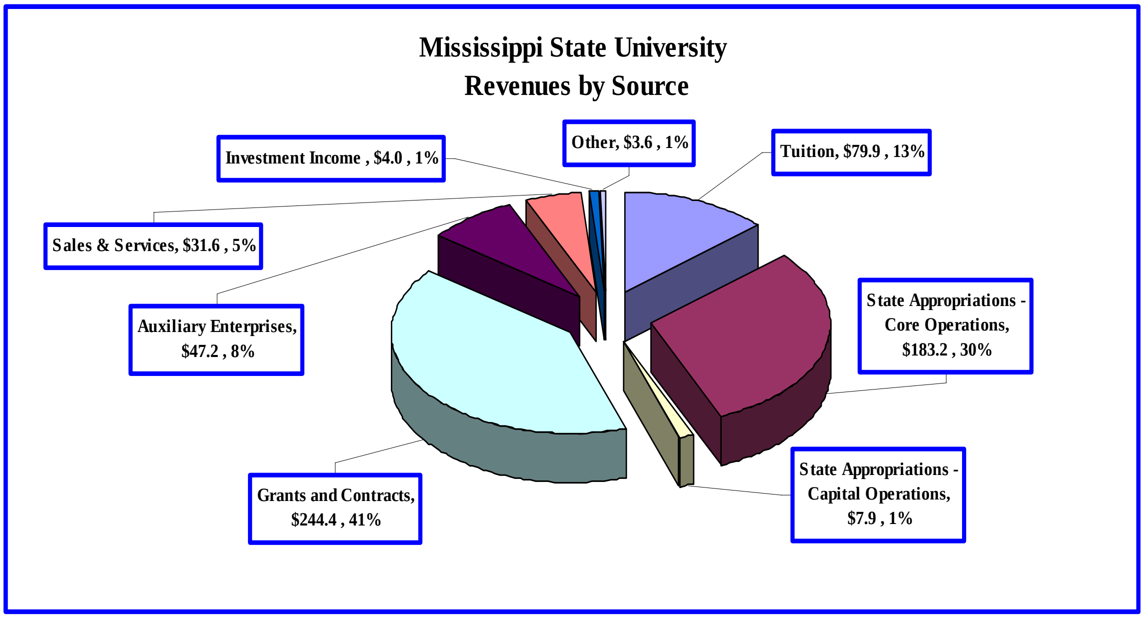
Liabilities increased to $217.6 million as of June 30, 2008. Liabilities were equal to $215.0 million on June 30, 2007. Long-term debt at June 30, 2008 was approximately $145.2 million (67%) of the total liabilities. Overall, long-term debt decreased by $0.1 million from the prior year end level.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total Net Assets approached $610.9 million on June 30, 2008, and $576.1 million on June 30, 2007. The $34.8 million increase in Net Assets represents an increase in the university's equity.

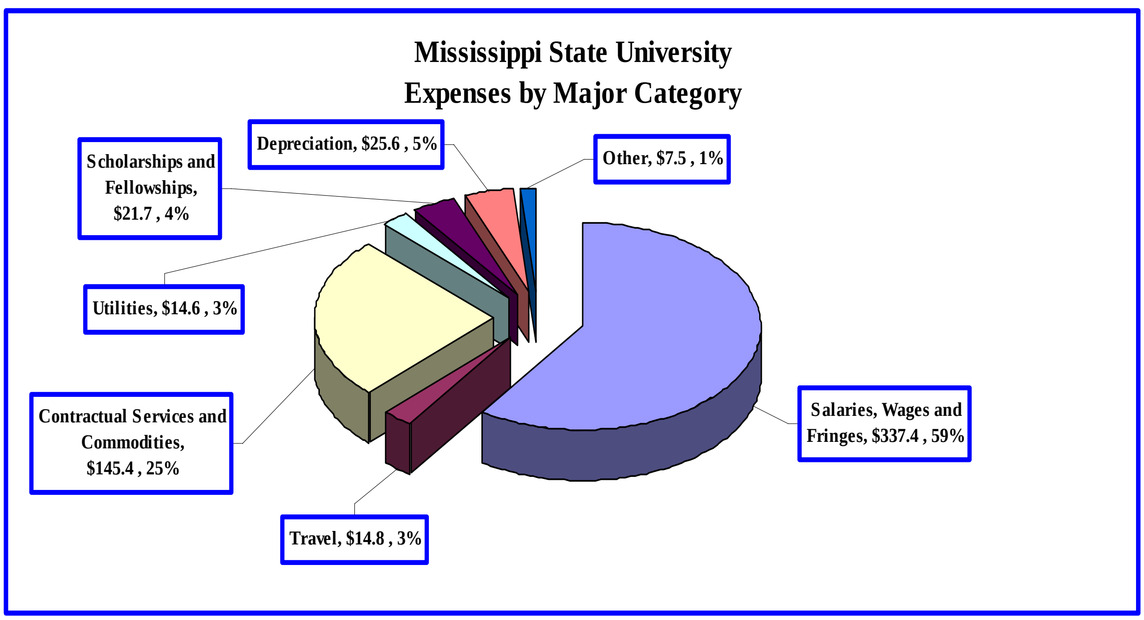
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

MSU's revenues and expenses include all sources and funds, including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenue of approximately $601.8 million from all sources and all funds. When compared to all revenues, State Appropriations for Core Operations (30%), Contracts and Grants (41%) and Tuition (13%) made up the largest categories of revenue for the system.

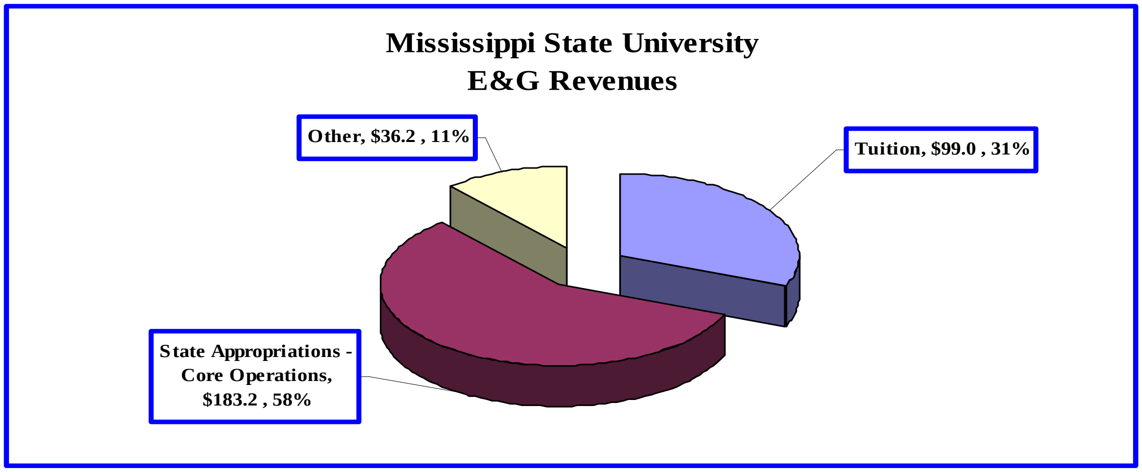


MSU expended $567.0 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 59% ($337.4 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Most MSU employees received 5% pay increases in 2008. Commodities and contractual services made up approximately 25% of the dollars expended ($145.4 million). Utilities expense increased nearly 25% during Fiscal Year 2008, up to $14.6 million. Student Scholarships and Fellowships expense levels remained level ($25.6 million).

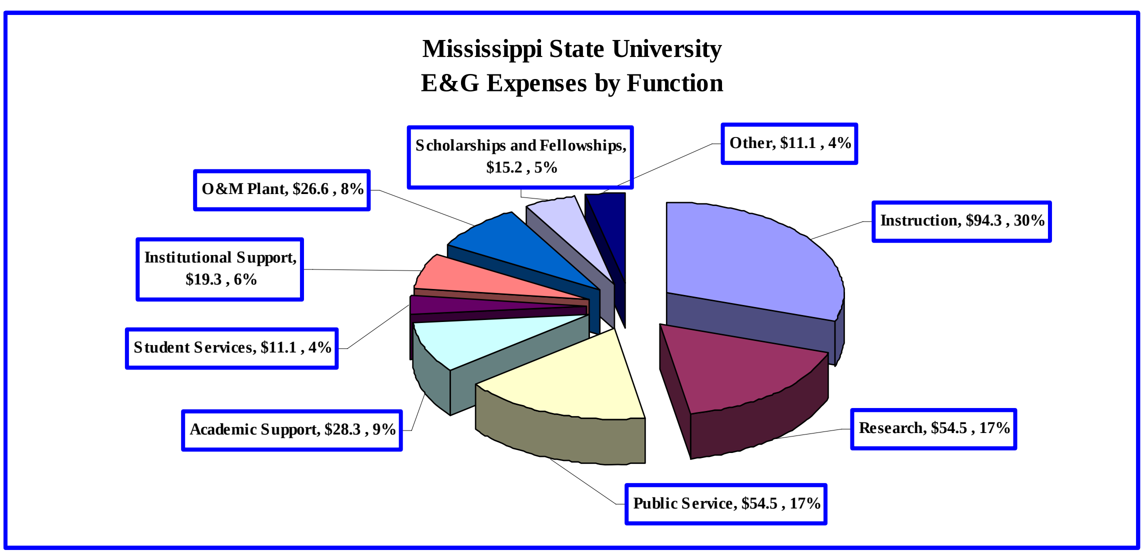


Education and General Funds

The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (31%) and State Appropriations for Core Operations (58%) in Fiscal Year 2008. State Appropriations include the separately budgeted units such as the agricultural program. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 tuition revenues increased by $21.0 million as a result of enrollment *and* tuition increases. State appropriations increased approximately 13.4% in Fiscal Year 2008 (to $183.2 million). E&G revenues for Fiscal Year 2008 in total equaled $318.4 million.



During Fiscal Year 2008 approximately 30% of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $19.3 million, or 25.7% from Fiscal Year 2004 to Fiscal Year 2008. Expenses attributable to the instruction MSU also increased their level of Research and Public Service spending by $7.7 million a piece during Fiscal Year 2008. Both functions recorded a total $54.5 million expended for those areas during the year. Operations and Maintenance costs for the campus's upkeep, another significant functional area increased 10.4% during 2008 (up to $25.6 million). In total, E&G expenses for Fiscal Year 2008 equaled $314.9 million.



Financial Ratios and Trends
Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 2.80 on June 30, 2007, and 2.60 on June 30, 2008. This slight decline means E&G liabilities increased at a slightly faster growth rate than did E&G assets during the year. Specifically, the current ratio of 2.60 implies the institution had E&G assets to cover about 260% of its E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to1, or 2.00. MSU's current ratio is presently above this standard.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .02 on June 30, 2007, but dropped slightly to a still positive .01 on June 30, 2008. A positive number indicates the university ended the year with a surplus. The rule of thumb for this ratio is a positive rating between .02 and .04 annually.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was .70, and at June 30, 2008, this ratio increased to .79. This indicates that the university's liquidity position strengthened during Fiscal Year 2008. MSU presently has $145.2 million in debt, down from $145.3 million the previous year end. There is no established rule of thumb for this indicator, but a negative trend indicates debt is growing faster than Unrestricted Net Assets. This hinders the ability of the institution to attract capital from outside sources. MSU now has a four-year trend of increasing Viability Ratio performance.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio dropped slightly to .05 in Fiscal Year 2008. An institution should maintain a reserve (net assets) to meet unexpected needs and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G unrestricted net assets to grow at the same growth rate as expenses. A ratio of .05 means the institution could operate for about two and one half weeks without reliance on new resources.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio at 7% (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7% of operating expenses. The university spent approximately 3% (a ratio of .03) on debt, which was below the 7% ceiling.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. MSU's coverage increased to 4.56 for Fiscal Year 2008. This was a dramatic increase over 2007, when it stood at a 1.00. MSU's five year trend coverage is healthy.

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio could mean that the institution is not collecting student tuition receivables timely. At June 30, 2008 the indicator was 12.7%, down slightly from 13.3% at June 30, 2007. This performance is slightly behind than the average institutional percentage of 12.4%. MSU should continue monitoring the collection of receivables.

Conclusion

This report is intended to show the fiscal size of the university, the sources of revenue, the ways the monies are expended and to review the financial health of the university through the use of ratio analyses.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 7

Mississippi State University
System Financial Highlights - GASB Presentation
(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 94.9	$ 117.3	$ 112.3	$ 107.9	$ 107.5	$ (0.4)	-0.4%	13.3%
Capital Assets	421.7	451.7	533.8	585.5	607.8	22.3	3.8%	44.1%
Other Non-Current Assets	98.7	95.8	102.5	97.7	113.2	15.5	15.9%	14.7%
Total Assets	**$ 615.3**	**$ 664.8**	**$ 748.6**	**$ 791.1**	**$ 828.5**	**$ 37.4**	**4.7%**	**34.7%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 32.0	$ 44.8	$ 50.8	$ 43.0	$ 44.2	$ 1.2	2.8%	38.2%
Non-Current Liabilities	106.3	123.7	176.3	172.0	173.4	1.4	0.8%	63.0%
Net Assets	477.0	496.3	521.5	576.1	610.9	34.8	6.0%	28.1%
Total Liabilities and Net Assets	**$ 615.3**	**$ 664.8**	**$ 748.6**	**$ 791.1**	**$ 828.5**	**$ 37.4**	**4.7%**	**34.7%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $20.3m, $19.2m, $23.2m, $21.2m & $23.1m respectively)	$ 64.2	$ 67.1	$ 67.0	$ 70.7	$ 79.9	$ 9.2	13.0%	24.5%
State Appropriations - Core Operations	146.2	147.7	145.6	161.6	183.2	21.6	13.4%	25.3%
State Appropriations - Capital	18.9	13.8	13.7	28.3	7.9	(20.4)	-72.1%	-58.2%
Grants and Contracts	160.6	187.7	209.1	239.3	244.4	5.1	2.1%	52.2%
Auxiliary Enterprises - Net	38.3	36.2	41.5	45.6	47.2	1.6	3.5%	23.2%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	22.7	23.8	24.4	16.3	31.6	15.3	93.9%	39.2%
Investment Income	1.5	5.2	5.0	9.0	4.0	(5.0)	-55.6%	166.7%
Other	18.5	4.2	2.3	17.8	3.6	(14.2)	-79.8%	-80.5%
Total Revenues	**$ 470.8**	**$ 485.7**	**$ 508.6**	**$ 588.6**	**$ 601.8**	**$ 13.2**	**2.2%**	**27.8%**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 267.2	$ 282.2	$ 283.3	$ 310.8	$ 337.4	$ 26.6	8.6%	26.3%
Travel	10.8	10.6	11.1	12.9	14.8	1.9	14.7%	36.7%
Contractual Services & Commodities	109.6	113.1	118.7	142.3	145.4	3.1	2.2%	32.7%
Utilities	11.2	12.0	17.8	11.7	14.6	2.9	24.8%	30.7%
Scholarships and Fellowships	18.3	18.4	21.7	24.2	21.7	(2.5)	-10.3%	18.3%
Depreciation	21.7	21.7	24.4	24.6	25.6	1.0	4.1%	18.2%
Interest on Capital Assets	3.1	3.8	5.1	6.7	6.5	(0.2)	-3.0%	110.5%
Other	1.7	4.6	1.3	0.6	1.0	0.4	66.7%	-42.2%
Total Expenses	**$ 443.7**	**$ 466.4**	**$ 483.4**	**$ 533.8**	**$ 567.0**	**$ 33.2**	**6.2%**	**27.8%**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 76.2	$ 98.8	$ 154.1	$ 142.6	$ 143.4	$ 0.8	0.6%	88.2%
Capital Leases	3.7	5.6	3.6	2.7	1.8	(0.9)	-33.3%	-51.4%
Total Debt	**$ 79.9**	**$ 104.4**	**$ 157.7**	**$ 145.3**	**$ 145.2**	**$ (0.1)**	**-0.1%**	**81.7%**
Investments	**$ 92.8**	**$ 95.0**	**$ 117.9**	**$ 105.0**	**$ 99.0**	**$ (6.0)**	**-5.7%**	**6.7%**
Investment Income	**$ 1.6**	**$ 5.2**	**$ 5.0**	**$ 9.0**	**$ 4.0**	**$ (5.0)**	**-55.6%**	**150.0%**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 8

Mississippi State University
Financial Highlights - Education and General
(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 78.0	$ 79.4	$ 82.6	$ 88.8	$ 99.0	$ 10.2	11.49%	26.9%
State Appropriations - Core Operations	146.2	147.7	145.6	161.5	183.2	21.7	13.44%	25.3%
Other	32.2	32.7	29.9	32.4	36.2	3.8	11.73%	12.5%
Total Revenue	**$ 256.4**	**$ 259.8**	**$ 258.1**	**$ 282.7**	**$ 318.4**	**$ 35.7**	**12.63%**	**24.2%**
2004 constant dollars	**$ 242.9**	**$ 238.5**	**$ 230.5**	**$ 245.9**	**$ 270.0**	**$ 24.1**	**9.82%**	**11.2%**
2004 constant dollars per FTE[4]	**$ 17,771**	**$ 17,637**	**$ 16,966**	**$ 17,869**	**$ 18,628**	**$ 759**	**4.25%**	**4.8%**
Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**			**FY 2004 - FY 2008 = 17.91% increase**				
Expenses - by Function	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Instruction	$ 75.0	$ 78.8	$ 80.7	$ 85.6	$ 94.3	$ 8.7	10.16%	25.7%
Research	41.2	40.9	42.8	46.8	54.5	7.7	16.5%	32.1%
Public Service	42.8	43.2	42.3	46.8	54.5	7.7	16.5%	27.2%
Academic Support	19.5	20.0	25.0	26.0	28.3	2.3	8.8%	45.0%
Student Services	8.1	8.6	8.7	9.5	11.1	1.6	16.8%	36.3%
Institutional Support	21.7	22.7	15.7	16.9	19.3	2.4	14.2%	-11.3%
Operation & Maintenance	20.1	22.5	25.2	24.1	26.6	2.5	10.4%	32.2%
Scholarships & Fellowships	13.1	11.3	12.1	13.3	15.2	1.9	14.3%	16.1%
Other & Mandatory Transfers	9.1	8.8	9.4	8.3	11.1	2.8	33.7%	22.0%
Total Expenses	**$ 250.9**	**$ 256.8**	**$ 261.9**	**$ 277.3**	**$ 314.9**	**$ 37.6**	**13.6%**	**25.5%**
2004 constant dollars	**$ 237.7**	**$ 235.8**	**$ 233.9**	**$ 241.2**	**$ 267.1**	**$ 25.9**	**10.72%**	**12.4%**
2004 constant dollars per FTE[4]	**$ 17,390**	**$ 17,433**	**$ 17,216**	**$ 17,527**	**$ 18,423**	**$ 896**	**5.11%**	**5.9%**
Key Financial Indicators (Formulas in Glossary)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Current Ratio (measures liquidity)	3.21	3.22	2.97	2.80	2.60	(0.20)	-7.1%	-19.0%
Net Operating Ratio (measures financial performance)	0.02	0.01	(0.01)	0.02	0.01	(0.01)	-50.0%	-54.6%
Viability Ratio (measures relative liquidity)	1.13	0.09	0.56	0.70	0.79	0.09	12.9%	-30.3%
Primary Reserve Ratio (measures financial strength)	0.07	0.07	0.05	0.06	0.05	(0.01)	-16.7%	-24.9%
Debt Burden Ratio (measures dependence on debt)	0.02	0.04	0.03	0.05	0.03	(0.02)	-40.0%	37.0%
Debt Coverage Ratio (measures excess income to cover debt)	2.34	0.59	0.37	1.00	4.56	3.56	356.0%	94.9%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	11.3%	11.9%	11.8%	13.3%	12.7%	-0.6%	-4.5%	12.9%
Selected Data- SYSTEM								
Capital Assets - System (net of depreciation)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Land	$ 12.7	$ 12.7	$ 12.7	$ 12.7	$ 12.7	$ 0.0	0.2%	0.2%
Construction in Progress	86.4	133.0	133.0	191.5	81.7	(109.8)	-57.3%	-5.4%
Buildings	256.4	292.5	292.5	285.5	411.2	125.7	44.0%	60.4%
Improvements other than Buildings	36.8	37.7	37.7	39.3	45.7	6.4	16.3%	24.2%
Equipment	39.8	38.1	38.1	36.3	35.7	(0.6)	-1.7%	-10.3%
Library Books	18.0	18.2	18.2	18.5	19.2	0.7	3.8%	6.7%
Livestock	1.6	1.6	1.6	1.7	1.6	(0.1)	-5.9%	0.0%
Total Capital Assets	**$ 394.6**	**$ 533.8**	**$ 533.8**	**$ 585.5**	**$ 607.8**	**$ 22.3**	**3.8%**	**54.0%**
Historical Cost	**$ 643.6**	**$ 682.9**	**$ 785.6**	**$ 856.2**	**$ 896.6**	**$ 40.4**	**4.7%**	**39.3%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Executive Summary
Mississippi University for Women

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. ***Mississippi University for Women (MUW),*** established in 1884, is located in Columbus, Mississippi. MUW has the distinction of becoming the first public college for women in America. MUW began admitting male students in 1982. The university is a Carnegie Master's One institution. Within SREB, MUW is classified as a Four-Year 5 institution offering approximately 42 programs leading to associate, baccalaureate, and master's degrees.

Background and Overview

MUW has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. MUW incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, total equaled $94.1 million, compared to $94.4 million on June 30, 2007, a small decrease of $0.3 million.

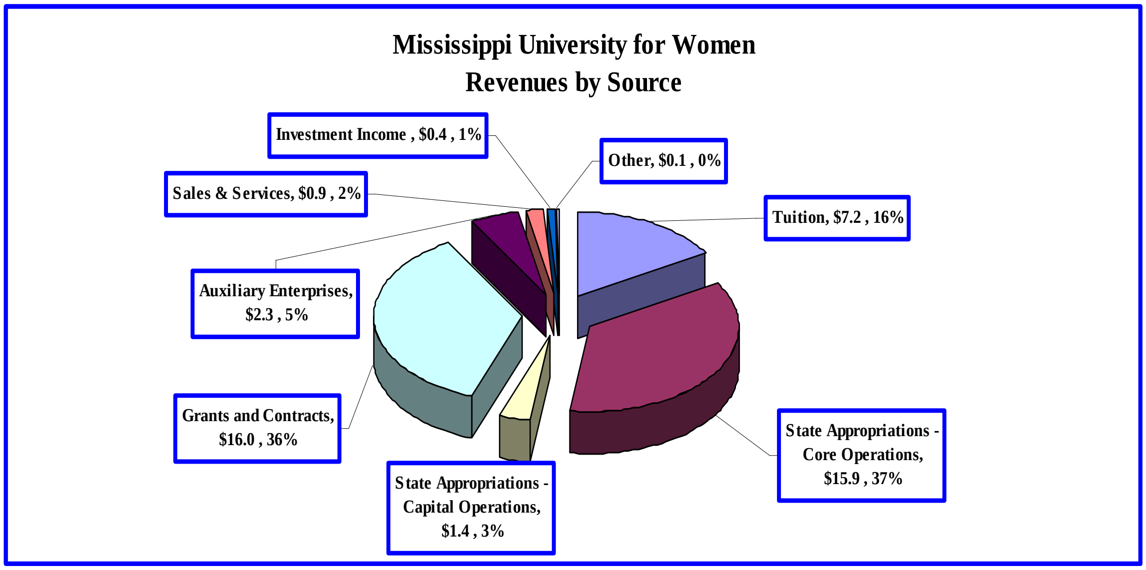
Liabilities decreased to $6.6 million at June 30, 2008, from $8.0 million on June 30, 2007, a decrease of $1.4 million. Debt was approximately $0.7 million (11%) of the liabilities. Long-term debt decreased by $0.1 million from Fiscal Year 2007.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total Net Assets equaled $87.5 million on June 30, 2008, and $86.4 million on June 30, 2007. The $1.1 million increase in net assets represents an increase in the university's equity.

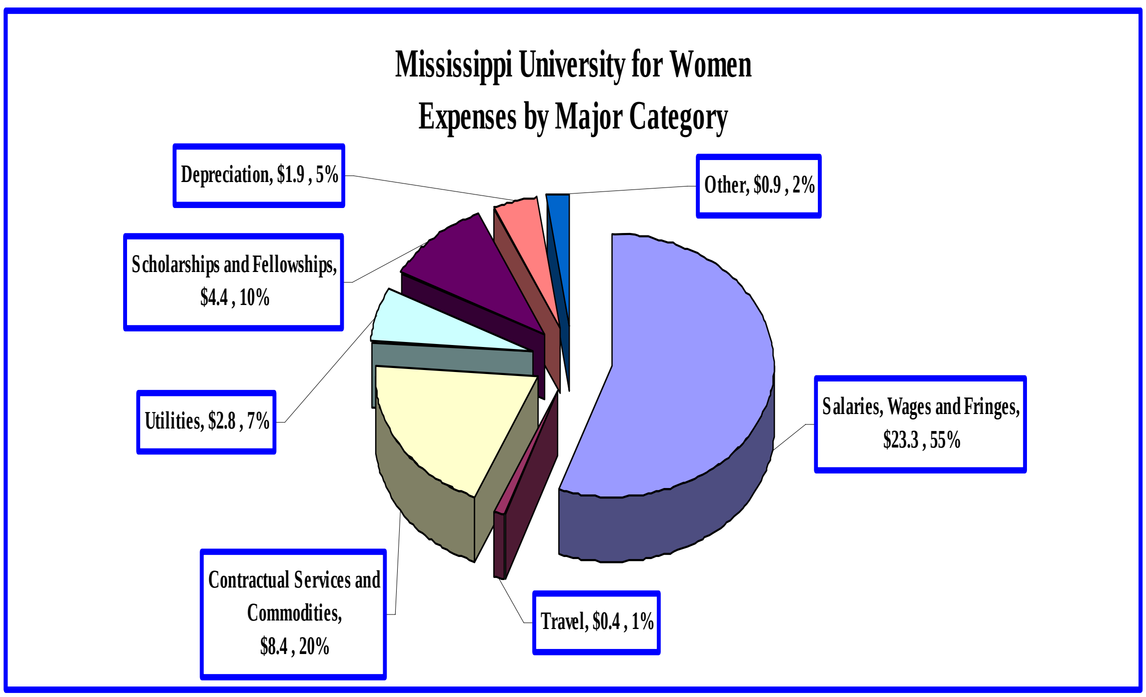
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

MUW's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenue of approximately $44.2 million. When compared to all revenues, State Appropriations for Core Operations (36%) Contracts and Grants (36%), and Tuition (16%) made up the largest categories of revenue for the institution.

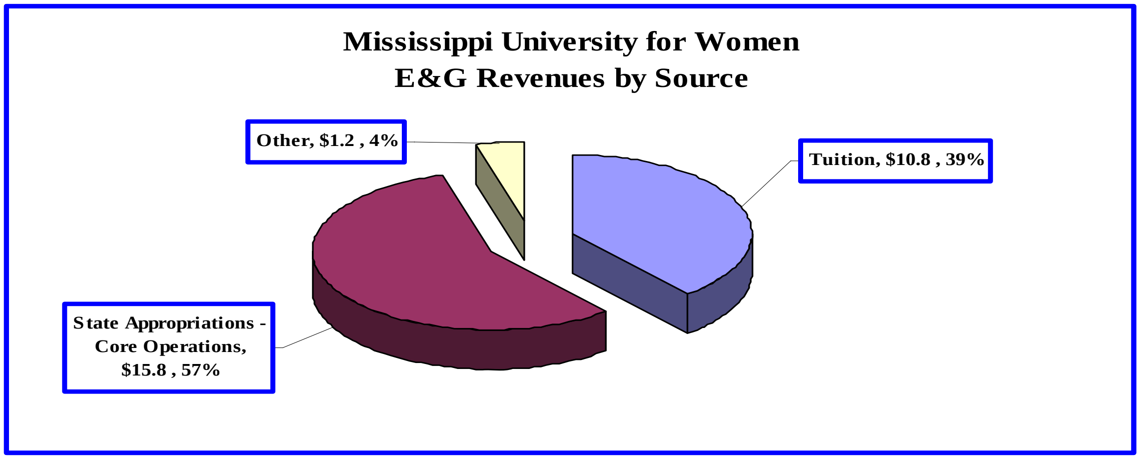


MUW expended $42.1 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 55% ($23.3 million) of all dollars spent were spent for salaries, wages, and fringe benefits. Most MUW employees received 5% pay increases in 2008. Commodities and contractual services made up approximately 20% of the dollars expended ($8.4 million).

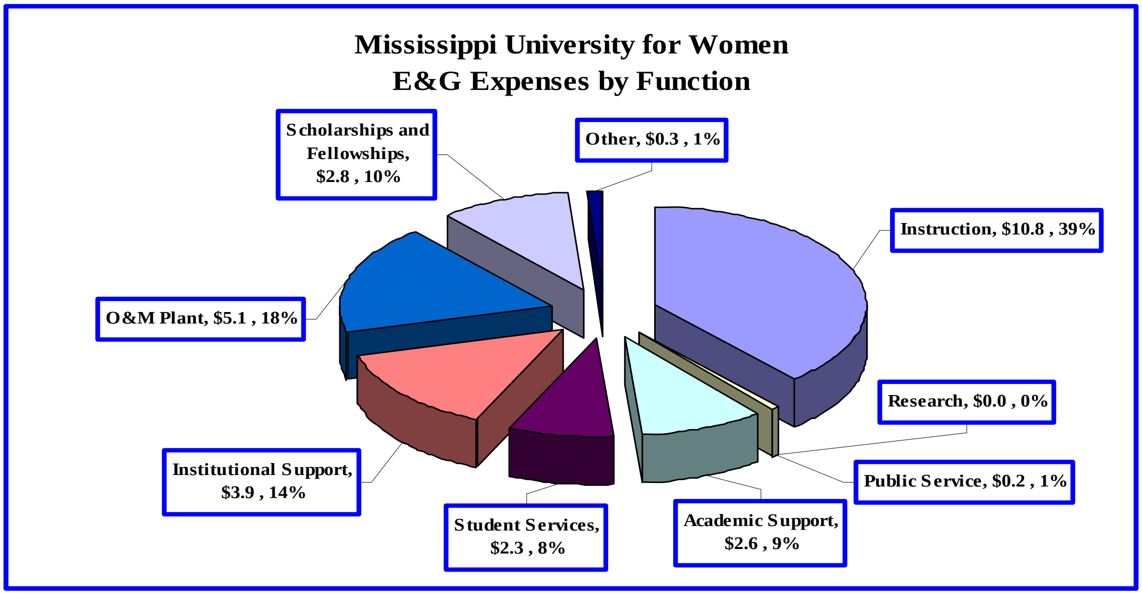


Education and General Funds

The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (39%) and State Appropriations for Core Operations (57%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 tuition revenue increased by $3.0 million (37.7% increase). Fiscal Year 2008 State appropriations increased $1.1 million to a five year high level of $15.8 million. Total E&G revenues for Fiscal Year 2008 equaled $27.8 million.



During Fiscal Year 2008 approximately 39% of the expense of the E&G fund was spent on the instruction function. Expenditures for instruction have increased 15.6% since Fiscal Year 2004 to now stand at $10.8 million. Academic Support expenditures increased 18.2% in Fiscal Year 2008 ($2.6 million). These expenditures have increased 78.4% since Fiscal Year 2004. The cost to maintain the campus facilities continues to skyrocket. MUW's Operations and Maintenance expense has increased 84.7% since 2004. The institution now expends approximately 18% of their total E&G funds on campus upkeep and utilities ($5.1 million). Total E&G expenses for Fiscal Year 2008 were equal to $28.0 million.



Financial Ratios and Trends
Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution had sufficient assets to cover current obligations. The Current Ratio for the institution was 2.35 on June 30, 2007, and decreased slightly to 2.33 on June 30, 2008. The decrease in the ratio means that E&G liabilities grew at a slightly faster pace than did E&G assets. Specifically, the current ratio of 2.33 implies that the institution had E&G assets to cover 233% of their E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to 1, or 2.00. MUW was above this ratio.

The Net Operating Ratio measures financial performance by comparing the E&G fund net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .00 on June 30, 2007, but decreased to a negative <0.01> on June 30, 2008. This performance indicates that the university ended the year with an net operating deficit within their E&G operations. The rule of thumb is between .02 and .04. MUW has fallen below this performance rule of thumb the last three years. The university should take steps to budget and experience an annual operating surplus of at least 2% annually.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was 5.75, and for June 30, 2008, the ratio equaled 6.43. The 2008 increase was due to MUW decreasing their capital leasing debt by $0.1 million. MUW’s 2008 long-term debt equaled $0.7 million. There is no established rule of thumb for this indicator, but a positive trend is generally desired and indicates that E&G unrestricted net assets are growing faster than long-term debt. A low or declining ratio could hinder the ability of the institution to attract capital from outside sources. MUW’s ratio still remains strong and should not affect its ability to obtain future debt.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from E&G Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio increased to relatively strong .08 for Fiscal Year 2008. Institutions should maintain a reserve (net assets) to meet unexpected needs and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G unrestricted net assets to grow at the same growth rate as expenses. A ratio of .08 means the institution could operate approximately four weeks without reliance on new resources. MUW is doing well with this ratio.

The Debt Burden Ratio measures the institution’s dependence on debt as a source of financing its mission and the relative cost of long-term debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio at 7% (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7% of operating expenses. The university spent approximately 1% (a ratio of .01) on debt, which was well below the 7% ceiling. MUW’s ratio is very good.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. MUW's coverage increased to 2.94 for Fiscal Year 2008. This was a dramatic increase over 2007, when it stood at a negative (2.44). MUW's five year trend coverage is relatively healthy.

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution performed in collecting payments from students for tuition. A high ratio could mean that the institution is not collecting student tuition receivables timely. For Fiscal Year 2008 the indicator was 18.1%, down from 19.6% in Fiscal Year 2007. This performance still remains higher than the average institutional percentage of 12.4%. MUW should continue to review their collection functions so as to sustain and improve their receivable collections record.

Conclusion

This report is intended to show the fiscal size of the university, sources of revenue, ways the monies are expended and to analyze the financial health of the university through the use of ratio analyses.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 9

Mississippi University for Women

System Financial Highlights - GASB Presentation

(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 7.2	$ 11.0	$ 13.3	$ 9.6	$ 8.5	$ (1.1)	-11.5%	17.8%
Capital Assets	53.7	62.0	72.9	77.5	78.4	0.9	1.2%	46.0%
Other Non-Current Assets	12.0	10.4	9.6	7.3	7.2	(0.1)	-1.4%	-39.9%
Total Assets	**$ 72.9**	**$ 83.4**	**$ 95.8**	**$ 94.4**	**$ 94.1**	**$ (0.3)**	**-0.3%**	**29.1%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 2.3	$ 3.0	$ 7.3	$ 4.8	$ 3.6	$ (1.2)	-25.0%	57.9%
Non-Current Liabilities	1.1	2.4	2.8	3.2	3.0	(0.2)	-6.3%	167.9%
Net Assets	69.5	78.0	85.7	86.4	87.5	1.1	1.3%	25.9%
Total Liabilities and Net Assets	**$ 72.9**	**$ 83.4**	**$ 95.8**	**$ 94.4**	**$ 94.1**	**$ (0.3)**	**-0.3%**	**29.1%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $4.4m, $2.9m, $3.1m, $3.5m & $3.6m respectively)	$ 3.6	$ 6.0	$ 6.4	$ 6.9	$ 7.2	$ 0.3	4.3%	102.3%
State Appropriations - Core Operations	13.2	13.5	13.2	14.7	15.9	1.2	8.2%	20.5%
State Appropriations - Capital	3.9	6.6	3.9	1.1	1.4	0.3	27.3%	-64.1%
Grants and Contracts	11.3	15.5	23.2	15.6	16.0	0.4	2.6%	41.2%
Auxiliary Enterprises - Net	0.8	2.1	2.2	2.2	2.3	0.1	4.5%	177.1%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	0.8	0.8	0.8	0.8	0.9	0.1	12.5%	12.5%
Investment Income	0.5	0.3	0.5	0.5	0.4	(0.1)	-20.0%	-20.0%
Other	11.7	0.5	0.3	-	0.1	0.1	#DIV/0!	-99.1%
Total Revenues	**$ 45.9**	**$ 45.3**	**$ 50.5**	**$ 41.8**	**$ 44.2**	**$ 2.4**	**5.7%**	**-3.6%**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 20.8	$ 21.5	$ 20.7	$ 22.0	$ 23.3	$ 1.3	5.9%	11.9%
Travel	0.4	0.4	0.4	0.5	0.4	(0.1)	-20.0%	6.1%
Contractual Services & Commodities	6.6	6.4	9.0	9.0	8.4	(0.6)	-6.7%	27.8%
Utilities	1.8	2.0	2.5	2.5	2.8	0.3	12.0%	52.6%
Scholarships and Fellowships	1.1	3.9	4.2	4.5	4.4	(0.1)	-2.2%	294.8%
Depreciation	1.1	1.1	1.1	1.6	1.9	0.3	18.8%	77.2%
Interest on Capital Assets	0.0	0.0	0.0	0.0	0.0	0.0	83.3%	139.2%
Other	14.5	1.5	1.9	0.9	0.9	-	0.0%	-93.8%
Total Expenses	**$ 46.3**	**$ 36.8**	**$ 39.8**	**$ 41.0**	**$ 42.1**	**$ 1.1**	**2.7%**	**-9.0%**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ -	$ -	$ -	$ -	$ -	$ -	#DIV/0!	#DIV/0!
Capital Leases	0.3	0.5	0.3	0.8	0.7	(0.1)	-12.5%	133.3%
Total Debt	**$ 0.3**	**$ 0.5**	**$ 0.3**	**$ 0.8**	**$ 0.7**	**$ (0.1)**	**-12.5%**	**133.3%**
Investments	**$ 11.4**	**$ 10.7**	**$ 9.7**	**$ 6.9**	**$ 7.2**	**$ 0.3**	**4.3%**	**-36.8%**
Investment Income	**$ 0.5**	**$ 0.3**	**$ 0.5**	**$ 0.5**	**$ 0.4**	**$ (0.1)**	**-20.0%**	**-20.0%**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 10

Mississippi University for Women

Financial Highlights - Education and General

(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 7.8	$ 8.8	$ 9.5	$ 10.3	$ 10.8	$ 0.5	4.85%	37.7%
State Appropriations - Core Operations	13.2	13.5	13.2	14.7	15.8	1.1	7.48%	19.5%
Other	1.2	0.9	1.1	1.1	1.2	0.1	9.09%	3.8%
Total Revenue	**$ 22.2**	**$ 23.2**	**$ 23.8**	**$ 26.1**	**$ 27.8**	**$ 1.7**	**6.51%**	**25.1%**
2004 constant dollars	**$ 21.1**	**$ 21.3**	**$ 21.3**	**$ 22.7**	**$ 23.6**	**$ 0.9**	**3.85%**	**12.0%**
2004 constant dollars per FTE[4]	**$ 11,874**	**$ 11,323**	**$ 10,942**	**$ 11,306**	**$ 12,276**	**$ 970**	**8.58%**	**3.4%**

Higher Education Cost Adjustment (HECA)	FY 2008 = 2.94% increase	FY 2004 - FY 2008 = 17.91% increase

Expenses - by Function	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Instruction	$ 9.3	$ 9.6	$ 9.4	$ 10.2	$ 10.8	$ 0.6	5.88%	15.6%
Research	0.0	0.0	0.0	0.0	0.0	0.0	53.8%	200.5%
Public Service	0.2	0.2	0.2	0.2	0.2	-	0.0%	-9.1%
Academic Support	1.5	1.4	2.1	2.2	2.6	0.4	18.2%	78.4%
Student Services	2.0	2.1	2.1	2.2	2.3	0.1	4.5%	13.5%
Institutional Support	3.9	3.4	3.7	3.8	3.9	0.1	2.6%	0.3%
Operation & Maintenance	2.8	3.4	4.3	4.4	5.1	0.7	15.9%	84.7%
Scholarships & Fellowships	2.3	2.4	2.8	2.8	2.8	-	0.0%	20.7%
Other & Mandatory Transfers	0.0	0.1	0.1	0.3	0.3	-	0.0%	1366.8%
Total Expenses	**$ 22.0**	**$ 22.6**	**$ 24.7**	**$ 26.1**	**$ 28.0**	**$ 1.9**	**7.3%**	**27.1%**
2004 constant dollars	**$ 20.9**	**$ 20.8**	**$ 22.1**	**$ 22.7**	**$ 23.8**	**$ 1.1**	**4.62%**	**13.8%**
2004 constant dollars per FTE[4]	**$ 11,777**	**$ 11,035**	**$ 11,360**	**$ 11,311**	**$ 12,373**	**$ 1,062**	**9.39%**	**5.1%**

Key Financial Indicators (Formulas in Glossary)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Ratio (measures liquidity)	2.96	2.57	2.13	2.35	2.33	(0.02)	-0.9%	-21.2%
Net Operating Ratio (measures financial performance)	0.01	0.03	(0.04)	0.00	(0.01)	(0.01)	#DIV/0!	-242.4%
Viability Ratio (measures relative liquidity)	30.15	25.60	36.33	5.75	6.43	0.68	11.8%	-78.7%
Primary Reserve Ratio (measures financial strength)	0.12	0.13	0.08	0.07	0.08	0.01	14.3%	-35.6%
Debt Burden Ratio (measures dependence on debt)	0.01	0.01	0.01	0.01	0.01	-	0.0%	45.0%
Debt Coverage Ratio (measures excess income to cover debt)	(5.68)	3.62	(3.55)	(2.44)	2.94	5.38	-220.5%	-151.8%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	27.0%	20.8%	21.9%	19.6%	18.1%	-1.5%	-7.7%	-33.0%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Land	$ 2.4	$ 2.4	$ 2.4	$ 2.4	$ 2.4	$ -	0.0%	2.1%
Construction in Progress	1.5	10.4	13.0	1.8	3.8	2.0	111.1%	154.3%
Buildings	45.7	44.9	52.6	68.1	68.3	0.2	0.3%	49.5%
Improvements other than Buildings	2.1	2.0	2.4	2.3	2.2	(0.1)	-4.3%	7.1%
Equipment	1.8	1.9	2.1	2.5	1.4	(1.1)	-44.0%	-21.5%
Library Books	0.4	0.4	0.4	0.4	0.3	(0.1)	-25.0%	-15.5%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 53.7**	**$ 62.0**	**$ 72.9**	**$ 77.5**	**$ 78.4**	**$ 0.9**	**1.2%**	**46.0%**
Historical Cost	**$ 73.0**	**$ 73.4**	**$ 95.1**	**$ 101.3**	**$ 104.7**	**$ 3.4**	**3.4%**	**43.5%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Executive Summary
Mississippi Valley State University

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. ***Mississippi Valley State University (MVSU),*** established in 1950, is located in Itta Bena, Mississippi. MVSU has the distinction of being the system's youngest university and is a Carnegie Master's One institution. Within the SREB region, MVSU is classified as a Four-Year 5 institution offering approximately 39 programs leading to baccalaureate and master's degrees.

Background and Overview

MVSU has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. MVSU incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, total assets equaled$79.3 million, compared to $73.5 million at June 30, 2007, a increase of $5.8 million.

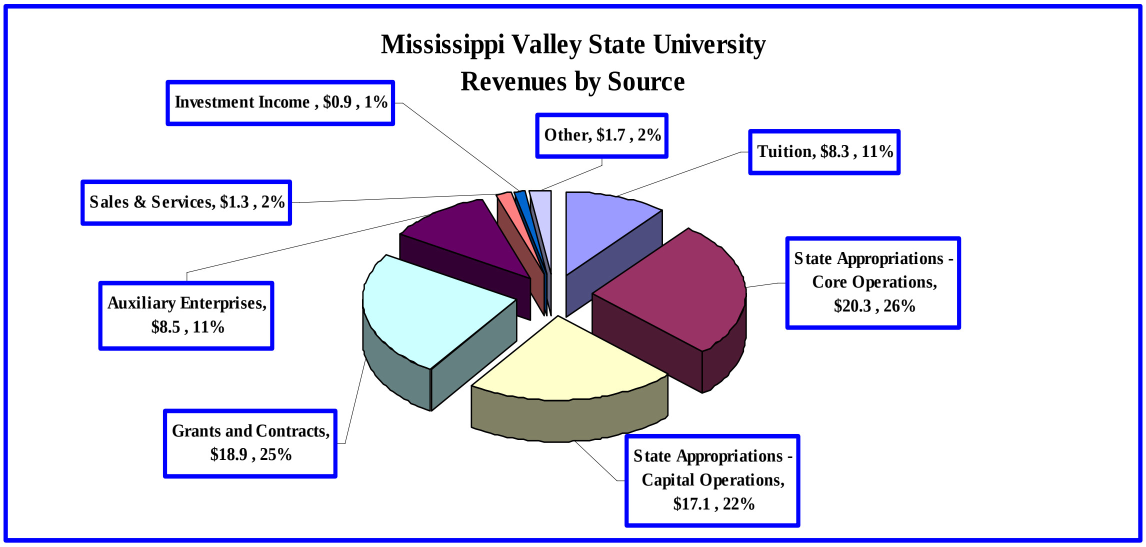
Liabilities increased to $25.7 million at June 30, 2008, up from $25.0 million on June 30, 2007. Long-term debt which was equal to $18.9 on June 30, 2008 represented 74% of the institutions total liabilities.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total Net Assets equaled $53.6 million on June 30, 2008, and $48.5 million on June 30, 2007. The $5.1 million increase in net assets represents an increase in the university's equity.

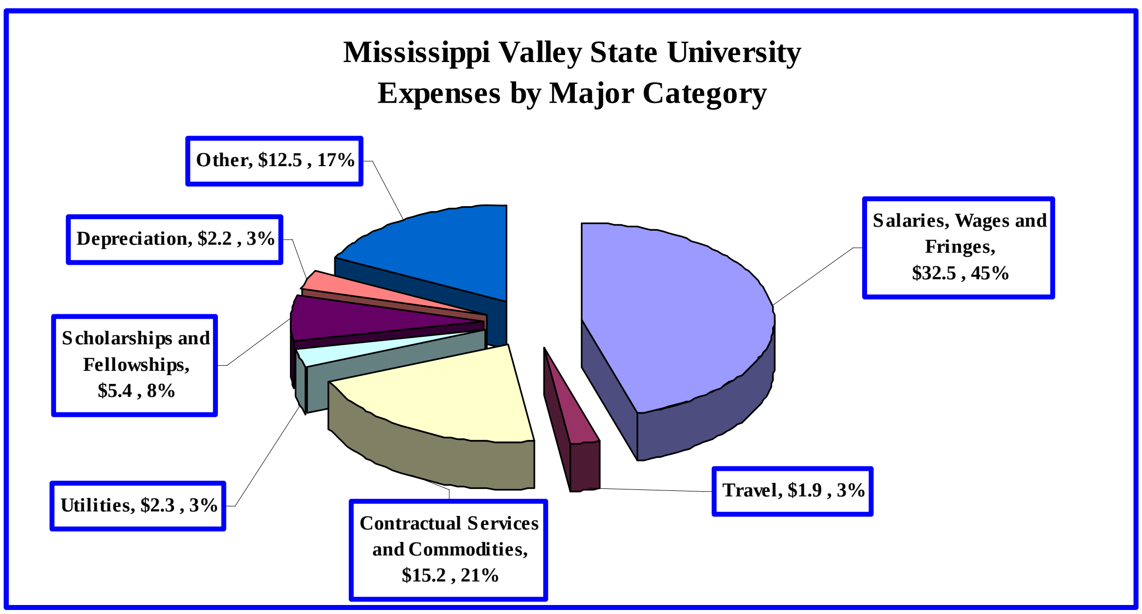
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

MVSU's revenues and expenses included all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenue of approximately $77.0 million from all sources and funds. When compared to all revenues, State Appropriations for Core Operations (26%), State Appropriations for Capital Operations (22%), Contracts and Grants (25%), and Tuition (11%) made up the largest categories of revenue for the system.

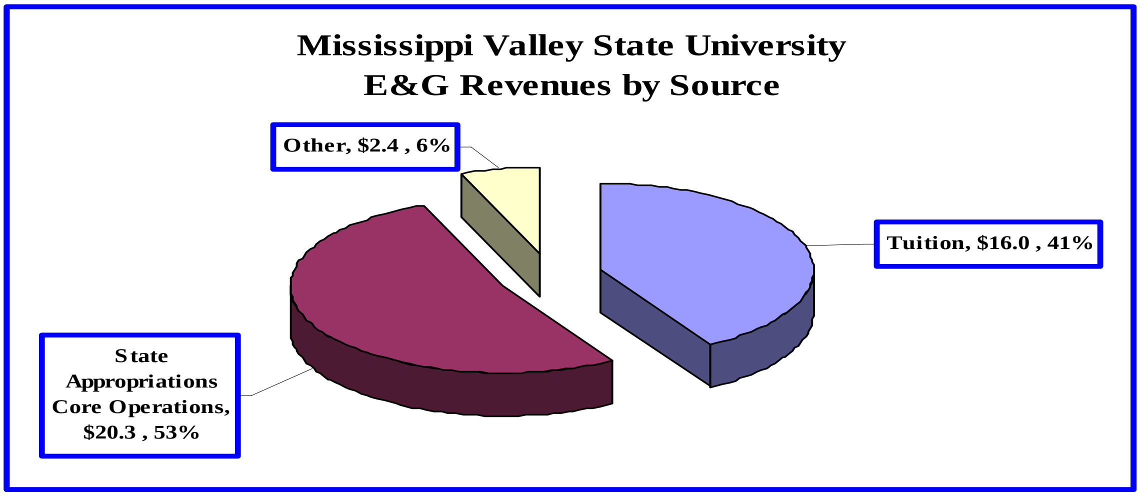


MVSU expended $72.0 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 45% ($32.5 million) of all dollars spent were spent for salaries, wages, and fringe benefits. Most MVSU employees received 5% pay increases in 2008. Commodities and contractual services made up approximately 21% of the dollars expended ($18.9 million). Student Scholarships and Fellowships expense increased $4.2 million in Fiscal Year 2008. This increase was in large part a result of higher student charges for tuition, room and board.

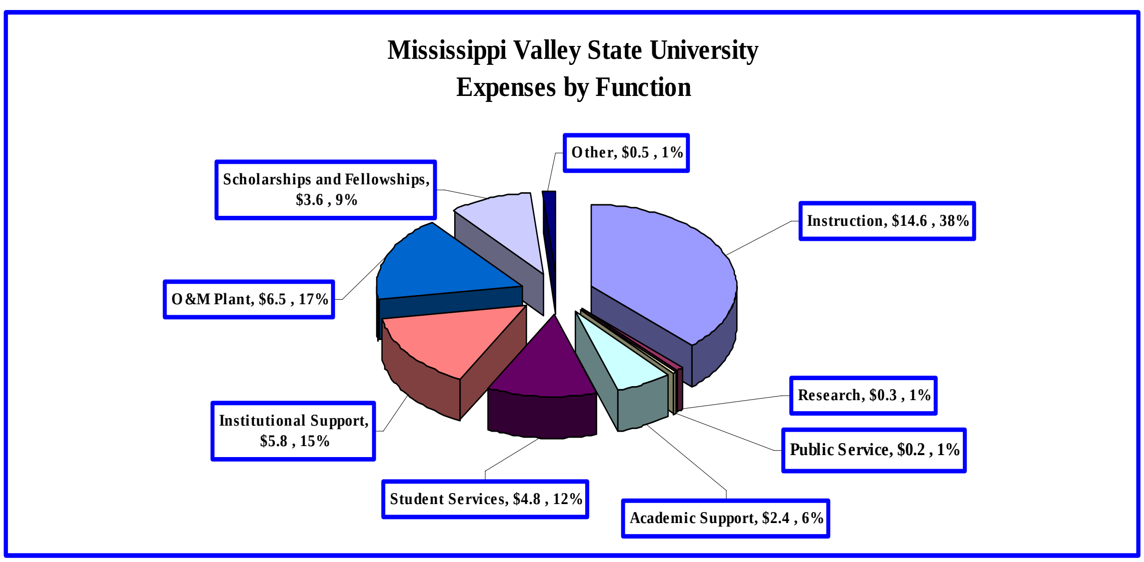


Education and General Funds

The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (41%) and State Appropriations for Core Operations (53%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 tuition revenue increased by $1.6 million as a result of enrollment *and* tuition increases. State appropriations for Core Operations increased $1.9 million in Fiscal Year 2008 (up to $20.3 million). Since Fiscal Year 2004, these appropriations have grown $5.1 million in total. These appropriations include funding earmarked for the *Ayers* Settlement. Total E&G revenues for Fiscal Year 2008 equaled $38.7 million.



During Fiscal Year 2008 approximately 38% of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased from their Fiscal Year 2004 levels by $3.5 million (31.2%). The institution increased their Instruction expenses by $1.7 million in 2008. Academic Support expenses increase $0.4 million (20%) in 2008, while those expenditures dedicated to the maintenance and upkeep of the campus (Operations and Maintenance) increased $0.5 million (8.3%). Total E&G expenses for Fiscal Year 2008 equaled $38.7 million.



Financial Ratios and Trends

Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 4.73 on June 30, 2007, and increased to 4.88 on June 30, 2008. This increase in the ratio meant E&G assets grew at a slightly faster rate than did E&G liabilities. Specifically, the current ratio of 4.88 implies the institution had E&G assets to cover 488% of its E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to 1, or 2.00. MVSU is well above this goal.

The Net Operating Ratio measures financial performance by comparing the E&G fund net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .01 on June 30, 2007, but slipped to .00 on June 30, 2008. This performance indicates that the university ended the year with neither a net operating surplus nor deficit, but instead E&G operations basically broke even. MVSU's performance has declined for three consecutive years. The rule of thumb is between .02 and .04. The university should take steps to budget and experience an annual operating surplus of at least 2% annually.

The Viability Ratio measures the relative liquidity of the university. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was .14, and at June 30, 2008, the ratio was 0.16. The increase was due to MVSU decreasing their long-term debt by $0.1 million. MVSU's debt is equal to $18.9 million. There is no established rule of thumb for this indicator, but a positive trend is generally desired and indicates that E&G unrestricted net assets are growing faster than long-term debt. The university needs to continue to monitor this ratio trend over the next several years. A planned increase in E&G unrestricted net assets should probably be implemented before any future significant long-term debt obligations are incurred.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from E&G Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve ratio on June 30, 2008 remained relatively strong at .08. Institutions should maintain a reserve (net assets) to meet unexpected needs, and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G unrestricted net assets to grow at the same growth rate as expenses. A ratio of .08 means the institution could operate approximately four weeks without reliance on new resources. The ratio is good, but the declining trend should continue to be monitored, with future plans being made to increase unrestricted net assets.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio at 7% (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7% of operating expenses. The university spent approximately 2% (a ratio of .02) on debt, which is well below the 7% ceiling. MVSU's ratio was very good.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. MVSU's coverage increased to 3.05 for Fiscal Year 2008. This was a dramatic increase over 2007, when it stood at a 0.86. MVSU's five year trend coverage is very healthy.

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio could mean that the institution is not collecting student tuition receivables timely. For Fiscal Year 2008 the indicator was 55.4%, markedly higher than the previous year's rate of 13.3%. This performance is considerably poorer than the average institutional percentage of 12.3%. MVSU should continue to monitor their student receivable collection process.

Conclusion

This report is intended to show the fiscal size of the university, sources of revenue, ways the monies are expended and to analyze the financial health of the university through the use of ratio analyses.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 11

Mississippi Valley State University
System Financial Highlights - GASB Presentation
(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 16.0	$ 23.2	$ 12.7	$ 10.7	$ 12.0	$ 1.3	12.1%	-25.2%
Capital Assets	31.1	37.7	26.8	37.9	55.2	17.3	45.6%	77.3%
Other Non-Current Assets	9.6	2.4	9.9	24.9	12.1	(12.8)	-51.4%	25.5%
Total Assets	**$ 56.8**	**$ 63.3**	**$ 49.4**	**$ 73.5**	**$ 79.3**	**$ 5.8**	**7.9%**	**39.6%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007		2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 3.1	$ 3.9	$ 3.1	$ 3.7	$ 5.0	$ 1.3	35.1%	63.2%
Non-Current Liabilities	4.2	4.3	4.3	21.3	20.7	(0.6)	-2.8%	396.4%
Net Assets	49.6	55.1	42.0	48.5	53.6	5.1	10.5%	8.1%
Total Liabilities and Net Assets	**$ 56.8**	**$ 63.3**	**$ 49.4**	**$ 73.5**	**$ 79.3**	**$ 5.8**	**7.9%**	**39.6%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $2.3m, $3.0m, $3.1m, $3.9m & $7.8 m respectively)	$ 12.2	$ 11.5	$ 11.3	$ 11.7	$ 8.3	$ (3.4)	-29.1%	-31.8%
State Appropriations - Core Operations	15.2	15.4	16.5	18.4	20.3	1.9	10.3%	33.6%
State Appropriations - Capital	1.3	8.9	6.5	4.2	17.1	12.9	307.1%	1215.4%
Grants and Contracts	18.7	18.8	18.7	19.1	18.9	(0.2)	-1.0%	1.2%
Auxiliary Enterprises - Net	6.9	6.9	7.1	7.5	8.5	1.0	13.3%	23.0%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	0.3	0.2	0.1	0.1	1.3	1.2	1200.0%	333.3%
Investment Income	0.3	0.4	0.4	0.9	0.9	-	0.0%	200.0%
Other	3.8	2.4	8.9	3.8	1.7	(2.1)	-55.3%	-55.0%
Total Revenues	**$ 58.6**	**$ 64.5**	**$ 69.5**	**$ 65.7**	**$ 77.0**	**$ 11.3**	**17.2%**	**31.3%**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 24.6	$ 27.3	$ 27.7	$ 30.1	$ 32.5	$ 2.4	8.0%	32.3%
Travel	1.3	1.3	1.5	1.9	1.9	-	0.0%	48.0%
Contractual Services & Commodities	21.7	22.4	24.3	22.7	15.2	(7.5)	-33.0%	-29.9%
Utilities	1.8	1.8	2.7	2.3	2.3	-	0.0%	31.0%
Scholarships and Fellowships	1.0	0.5	0.5	1.2	5.4	4.2	350.0%	461.0%
Depreciation	1.5	1.4	1.6	1.5	2.2	0.7	46.7%	51.1%
Interest on Capital Assets	0.1	0.1	0.1	0.1	0.8	0.7	700.0%	550.3%
Other	4.0	2.9	9.8	5.7	11.7	6.0	105.3%	189.9%
Total Expenses	**$ 55.9**	**$ 57.7**	**$ 68.2**	**$ 65.5**	**$ 72.0**	**$ 6.5**	**9.9%**	**28.9%**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 2.4	$ 2.3	$ 2.2	$ 19.0	$ 18.9	$ (0.1)	-0.5%	687.5%
Capital Leases	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Debt	**$ 2.4**	**$ 2.3**	**$ 2.2**	**$ 19.0**	**$ 18.9**	**$ (0.1)**	**-0.5%**	**687.5%**
Investments	**$ 11.1**	**$ 11.5**	**$ 10.8**	**$ 23.8**	**$ 12.9**	**$ (10.9)**	**-45.8%**	**16.2%**
Investment Income	**$ 0.3**	**$ 0.4**	**$ 0.4**	**$ 0.9**	**$ 0.9**	**$ -**	**0.0%**	**200.0%**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 12

Mississippi Valley State University
Financial Highlights - Education and General
(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 14.4	$ 14.5	$ 14.3	$ 15.6	$ 16.0	$ 0.4	2.56%	10.9%
State Appropriations - Core Operations	15.2	15.4	16.5	18.4	20.3	1.9	10.33%	33.9%
Other	1.5	1.5	2.1	1.9	2.4	0.5	26.32%	55.4%
Total Revenue	**$ 31.1**	**$ 31.4**	**$ 32.9**	**$ 35.9**	**$ 38.7**	**$ 2.8**	**7.80%**	**24.3%**
2004 constant dollars	**$ 29.5**	**$ 28.8**	**$ 29.4**	**$ 31.2**	**$ 32.8**	**$ 1.6**	**5.11%**	**11.3%**
2004 constant dollars per FTE[4]	**$ 9,946**	**$ 9,587**	**$ 10,982**	**$ 11,597**	**$ 12,603**	**$ 1,006**	**8.68%**	**26.7%**

Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**	**FY 2004 - FY 2008 = 17.91% increase**

Expenses - by Function	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Instruction	$ 11.1	$ 11.9	$ 11.5	$ 12.9	$ 14.6	$ 1.7	13.18%	31.2%
Research	0.2	0.2	0.3	0.3	0.3	-	0.0%	36.2%
Public Service	0.0	0.1	-	0.1	0.2	0.1	100.0%	302.1%
Academic Support	2.2	1.8	1.8	2.0	2.4	0.4	20.0%	7.4%
Student Services	3.7	4.2	4.4	4.9	4.8	(0.1)	-2.0%	28.9%
Institutional Support	4.5	4.8	5.0	5.7	5.8	0.1	1.8%	30.2%
Operation & Maintenance	5.0	5.6	6.0	6.0	6.5	0.5	8.3%	30.9%
Scholarships & Fellowships	2.1	2.8	2.9	3.5	3.6	0.1	2.9%	72.4%
Other & Mandatory Transfers	0.5	0.2	0.5	0.2	0.5	0.3	150.0%	0.0%
Total Expenses	**$ 29.4**	**$ 31.6**	**$ 32.4**	**$ 35.6**	**$ 38.7**	**$ 3.1**	**8.7%**	**31.8%**
2004 constant dollars	**$ 27.8**	**$ 29.0**	**$ 28.9**	**$ 31.0**	**$ 32.8**	**$ 1.9**	**5.99%**	**18.0%**
2004 constant dollars per FTE[4]	**$ 9,381**	**$ 9,648**	**$ 10,815**	**$ 11,500**	**$ 12,603**	**$ 1,103**	**9.59%**	**34.3%**

Key Financial Indicators (Formulas in Glossary)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Ratio (measures liquidity)	5.67	3.02	1.88	4.73	4.88	0.15	3.2%	-13.9%
Net Operating Ratio (measures financial performance)	0.06	(0.01)	0.02	0.01	0.00	(0.01)	-100.0%	-100.0%
Viability Ratio (measures relative liquidity)	3.51	1.91	1.77	0.14	0.16	0.02	14.3%	-95.4%
Primary Reserve Ratio (measures financial strength)	0.16	0.14	0.16	0.10	0.08	(0.02)	-20.0%	-49.6%
Debt Burden Ratio (measures dependence on debt)	0.01	0.01	0.01	0.00	0.02	0.02	3900.0%	254.2%
Debt Coverage Ratio (measures excess income to cover debt)	23.82	7.69	(3.67)	0.86	3.05	2.19	254.7%	-87.2%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	27.0%	31.3%	36.3%	13.3%	55.4%	42.2%	318.3%	105.5%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Land	$ -	$ -	$ -	$ -	$ -	$ -	#DIV/0!	#DIV/0!
Construction in Progress	2.7	10.2	2.2	5.2	22.5	17.3	332.7%	730.8%
Buildings	16.8	16.3	15.7	22.8	22.6	(0.2)	-0.9%	34.1%
Improvements other than Buildings	8.7	8.5	5.8	7.2	6.8	(0.4)	-5.6%	-22.1%
Equipment	1.8	1.8	2.2	1.7	2.4	0.7	41.2%	31.5%
Library Books	1.0	0.9	0.9	1.0	0.9	(0.1)	-10.0%	-8.4%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 30.8**	**$ 37.7**	**$ 26.8**	**$ 37.9**	**$ 55.2**	**$ 17.3**	**45.6%**	**79.2%**
Historical Cost	**$ 59.6**	**$ 59.7**	**$ 57.5**	**$ 69.5**	**$ 88.9**	**$ 19.4**	**27.9%**	**49.1%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Executive Summary
University of Mississippi

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. The ***University of Mississippi (UM),*** established in 1848, is located in Oxford, Mississippi. UM has the distinction of being the top producer of Rhodes Scholars in the system with only six institutions in the United States producing more Rhodes Scholars. UM is a Carnegie Doctoral Research Extensive University within the SREB Region and is a Four-Year 2 institution offering approximately 140 programs leading to certificate, baccalaureate, master's, specialist, first-professional, and doctorate degrees. UM also houses the state's only public law school. UM is also home to the University of Mississippi Medical Center (UMMC) located in Jackson. UMMC, established in 1955, has the distinction of having doctors who performed the nation's first heart and lung transplants. The Medical Center offers approximately 38 programs leading to certificate, baccalaureate, master's, first-professional, and doctorate degrees.

Background and Overview

The UM has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. UM incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, the total assets were equal to $764.9 million, compared to $726.4 million on June 30, 2007, an increase of $38.5 million.

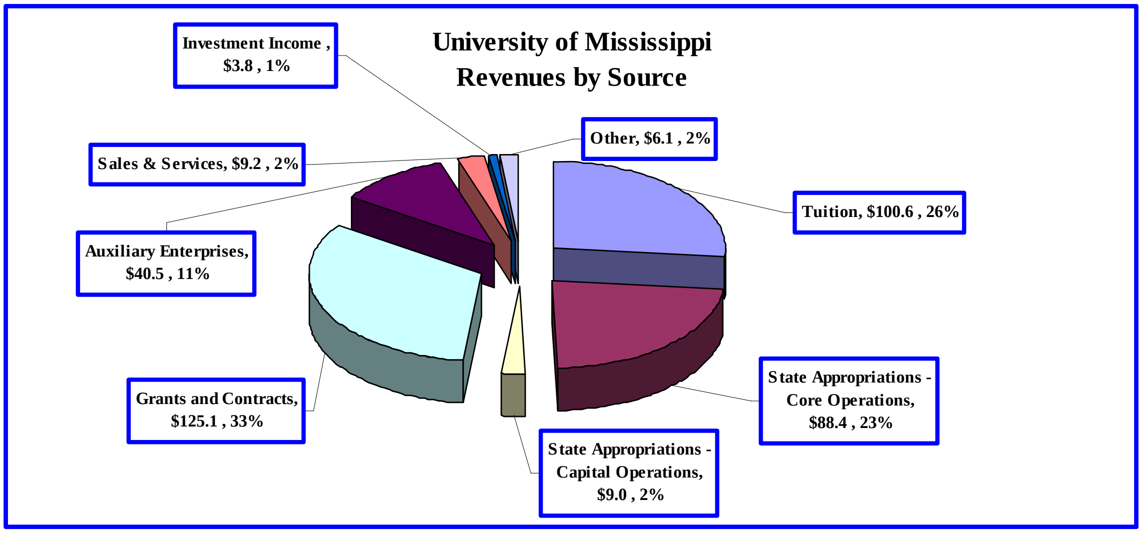
Liabilities increased to $148.7 million as of June 30, 2008, from $142.6 million on June 30, 2007, an increase of $6.1 million. Long-term debt was equal to $85.5 million (57 percent) of the total liabilities. This long-term debt decreased by $2.9 million its level on June 30, 2007.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total Net Assets equaled $616.2 million at June 30, 2008, and $583.8 million at June 30, 2007. The $32.4 million increase in Net Assets represents an increase in the university's equity.

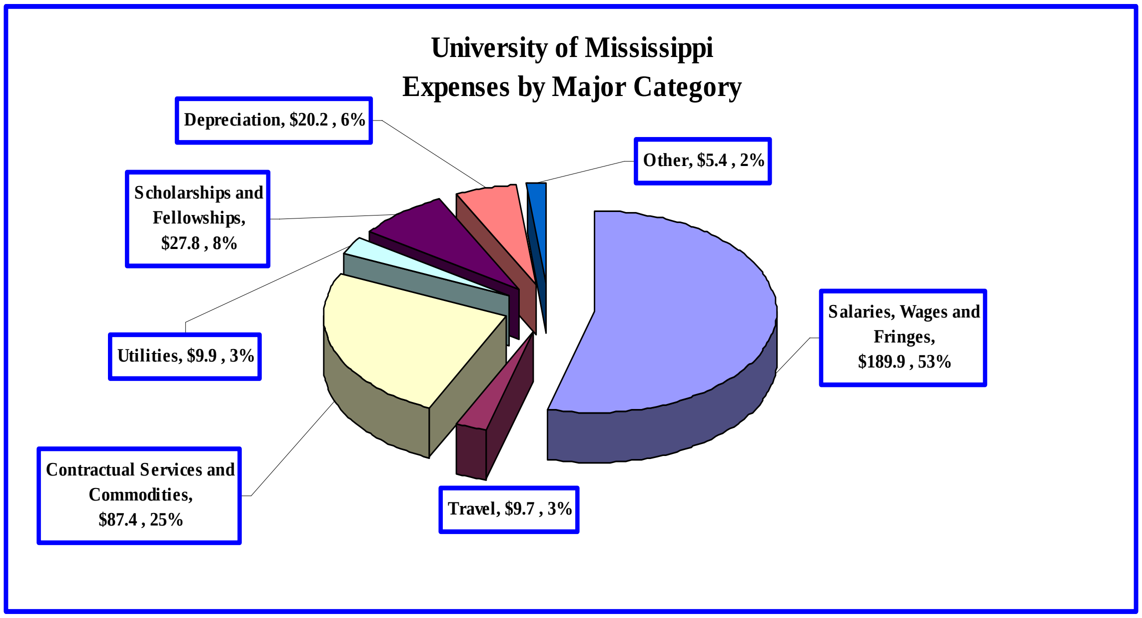
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment, or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

UM's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenue of $382.7 million from all sources and all funds excluding UMMC which is presented in a separate report. When compared to all revenues, State Appropriations for Core Operations (23%), Tuition (26%), and Contracts and Grants (33%) made up the largest categories of revenue for the university. Since Fiscal Year 2004 Tuition revenues have increased $38.2 million (61.2%). This increase was result of both tuition rate and enrollment increases. State Appropriation revenues for Core Operations increased $11.1 million (14.4%) in 2008.

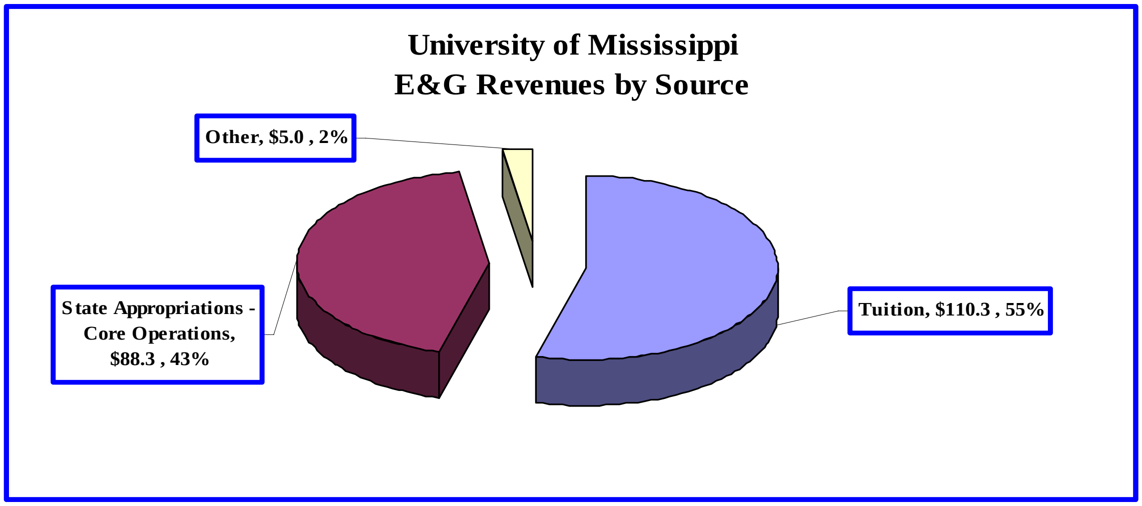


UM expended $350.3 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 53% ($189.9 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 25% of the dollars expended ($87.4 million). UM's personnel costs increased $13.5 million in 2008 (7.7%). Most UM employees received 5% pay increases during 2008. Contractual service and Commodities expense increased $11.0 during the year (14.4%).

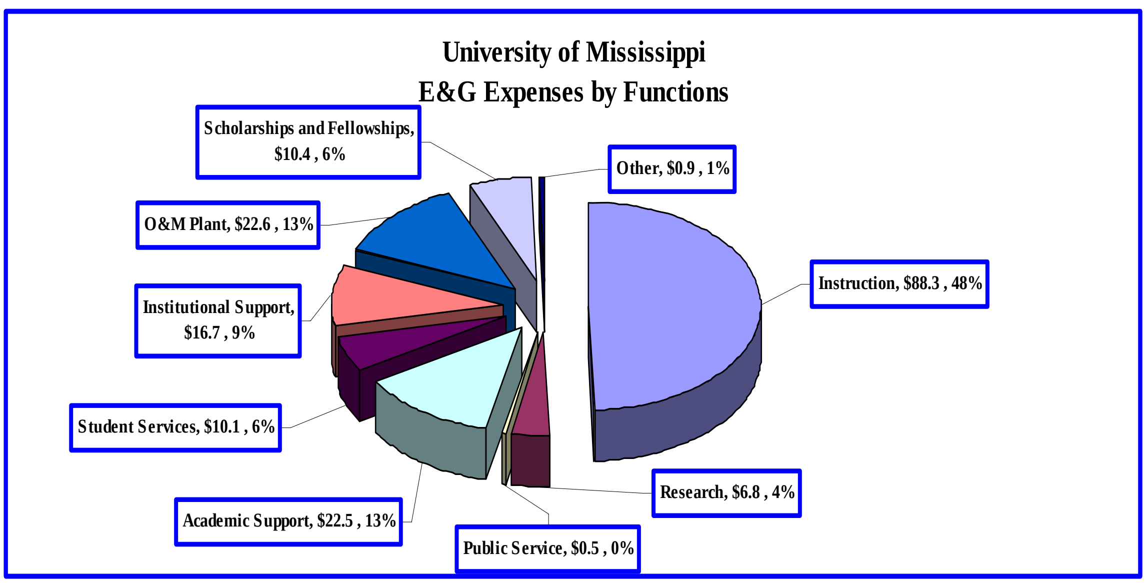


Education and General Funds

The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (55%) and State Appropriations for Core Operations (43%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 E&G tuition revenue increased $32.9 million (42.6%) as a result of enrollment *and* tuition increases. State Appropriations for Core E&G Operations increased 30.2% since 2004. Total E&G revenues for Fiscal Year 2008 equaled $203.6 million.



During Fiscal Year 2008 approximately 48% of the expenses in the E&G fund were spent on the Instruction function. Expenditures for instruction have increased from its Fiscal Year 2004 level by $21.2 million (31.6%). UM pumped an additional $5.1 million into the E&G Instruction function in 2008 (6.1% increase). The cost to maintain the campus facilities continues to skyrocket. UM's Operations and Maintenance expense has increased 65.4% since 2004. The institution now expends approximately 13% of their total E&G funds on campus upkeep and utilities ($22.6 million). Total E&G expenses for Fiscal Year 2008 equaled $178.8 million.



Financial Ratios and Trends
Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institutions have sufficient assets to cover current obligations. The Current Ratio for the institution was 3.94 on June 30, 2007, but dipped slightly to 3.67 on June 30, 2008. This slight decrease appears to be rather insignificant, but means E&G liabilities basically grew at a slightly faster rate than E&G assets. Specifically, the current ratio of 3.67 implies that the institution had E&G assets to cover 367% of their E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to 1, or 2.00. UM has met this rule of thumb.

The Net Operating Ratio measures financial performance by comparing the E&G fund net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .09 on June 30, 2007, and climbed to .12 by June 30, 2008. This performance indicates that the university ended the year with a net operating surplus within their E&G operations. The rule of thumb is between .02 and .04. UM is well above the recommended rule of thumb.

The Viability Ratio measures the relative liquidity of the institution. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was 1.54, and for June 30, 2008, the ratio was 1.74. UM's long-term debt decreased $2.9 million at June 30, 2008 ($85.5 million). There is no established rule of thumb for this indicator, but a positive trend is generally desired and indicates that E&G unrestricted net assets are growing faster than debt. A low or declining ratio could hinder the ability of the institution to attract capital from outside sources. UM's ratio remains one the strongest in the IHL System.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from E&G Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio has held relatively constant over the five years under review. The ratio on June 30, 2008, was .16 which is a healthy ratio. Institutions should maintain a reserve (net assets) to meet unexpected needs, and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G net assets to grow at the same growth rate as expenses. A ratio of .16 means the institution could operate approximately eight weeks without reliance on new resources.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio at 7% (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7% of operating expenses. The university's debt burden ratio is .03 for Fiscal Year 2008. This ratio has not appreciably changed since 2005.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. UM's coverage decreased to 4.38 for Fiscal Year 2008. This was a slight decrease from 2007, when it stood at a 4.62. UM's five year trend coverage is very healthy.

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio could mean that the institution is not collecting student tuition receivables timely. For Fiscal Year 2008 the indicator was 3.8%, down slightly from a percentage of 4.0% for Fiscal Year 2007. This is the lowest rate in the IHL System which has an average institutional percentage of 12.4%. UM appears to be managing their student receivable collection process very well.

Conclusion

This report is intended to show the fiscal size of the university, the sources of revenue, the ways the monies are expended and to review the financial health of the university through the use of ratio analyses.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 13

University of Mississippi
System Financial Highlights - GASB Presentation
(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 97.4	$ 102.7	$ 132.8	$ 143.9	$ 150.0	$ 6.1	4.2%	54.0%
Capital Assets	368.4	380.4	391.3	418.6	452.9	34.3	8.2%	22.9%
Other Non-Current Assets	119.1	130.4	132.4	163.9	162.0	(1.9)	-1.2%	36.0%
Total Assets	**$ 584.9**	**$ 613.5**	**$ 656.5**	**$ 726.4**	**$ 764.9**	**$ 38.5**	**5.3%**	**30.8%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 28.4	$ 29.8	$ 31.7	$ 37.8	$ 48.7	$ 10.9	28.8%	71.7%
Non-Current Liabilities	87.3	79.2	86.9	104.8	100.0	(4.8)	-4.6%	14.5%
Net Assets	469.2	504.5	537.9	583.8	616.2	32.4	5.5%	31.3%
Total Liabilities and Net Assets	**$ 584.9**	**$ 613.5**	**$ 656.5**	**$ 726.4**	**$ 764.9**	**$ 38.5**	**5.3%**	**30.8%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $22.9m, $20.7m, $22.7m, $24.6m & $23.6m respectively)	$ 62.4	$ 74.6	$ 82.4	$ 92.0	$ 100.6	$ 8.6	9.3%	61.2%
State Appropriations - Core Operations	67.8	68.3	67.4	77.3	88.4	11.1	14.4%	30.4%
State Appropriations - Capital	4.7	4.9	6.0	6.5	9.0	2.5	38.5%	91.5%
Grants and Contracts	119.0	110.4	120.3	123.0	125.1	2.1	1.7%	5.1%
Auxiliary Enterprises - Net	33.5	35.4	36.5	39.1	40.5	1.4	3.6%	20.8%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	6.2	10.4	9.1	9.8	9.2	(0.6)	-6.1%	48.4%
Investment Income	9.0	6.3	8.7	18.8	3.8	(15.0)	-79.8%	-57.8%
Other	5.3	5.1	5.9	6.9	6.1	(0.8)	-11.6%	15.8%
Total Revenues	**$ 307.9**	**$ 315.4**	**$ 336.3**	**$ 373.4**	**$ 382.7**	**$ 9.3**	**2.5%**	**24.3%**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 142.5	$ 150.4	$ 159.9	$ 176.4	$ 189.9	$ 13.5	7.7%	33.3%
Travel	7.9	8.0	8.8	9.8	9.7	(0.1)	-1.0%	23.5%
Contractual Services & Commodities	72.4	71.6	72.9	76.4	87.4	11.0	14.4%	20.6%
Utilities	6.8	7.9	11.2	10.5	9.9	(0.6)	-5.7%	44.5%
Scholarships and Fellowships	15.9	20.0	27.3	31.1	27.8	(3.3)	-10.6%	74.6%
Depreciation	15.3	17.5	19.1	19.3	20.2	0.9	4.7%	32.4%
Interest on Capital Assets	3.2	2.9	2.5	3.3	3.7	0.4	12.1%	15.4%
Other	1.9	2.1	1.3	0.8	1.7	0.9	112.5%	-11.8%
Total Expenses	**$ 266.0**	**$ 280.4**	**$ 303.0**	**$ 327.6**	**$ 350.3**	**$ 22.7**	**6.9%**	**31.7%**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 68.9	$ 66.3	$ 73.4	$ 88.4	$ 85.5	$ (2.9)	-3.3%	24.1%
Capital Leases	6.8	0.3	0.1	-	-	-	#DIV/0!	-100.0%
Total Debt	**$ 75.7**	**$ 66.6**	**$ 73.5**	**$ 88.4**	**$ 85.5**	**$ (2.9)**	**-3.3%**	**12.9%**
Investments	**$ 143.7**	**$ 154.8**	**$ 177.3**	**$ 199.9**	**$ 206.5**	**$ 6.6**	**3.3%**	**43.7%**
Investment Income	**$ 9.0**	**$ 6.3**	**$ 8.7**	**$ 18.8**	**$ 3.8**	**$ (15.0)**	**-79.8%**	**-57.8%**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 14

University of Mississippi
Financial Highlights - Education and General
(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 77.4	$ 85.7	$ 93.2	$ 101.6	$ 110.3	$ 8.7	8.56%	42.6%
State Appropriations - Core Operations	67.8	68.3	67.4	77.3	88.3	11.0	14.23%	30.2%
Other	3.2	3.8	3.8	5.1	5.0	(0.1)	-1.96%	57.4%
Total Revenue	**$ 148.3**	**$ 157.8**	**$ 164.4**	**$ 184.0**	**$ 203.6**	**$ 19.6**	**10.65%**	**37.3%**
2004 constant dollars	**$ 140.5**	**$ 144.9**	**$ 146.8**	**$ 160.1**	**$ 172.7**	**$ 12.6**	**7.89%**	**22.9%**
2004 constant dollars per FTE[4]	**$ 11,146**	**$ 10,956**	**$ 11,004**	**$ 11,605**	**$ 12,696**	**$ 1,091**	**9.40%**	**13.9%**

Higher Education Cost Adjustment (HECA)	FY 2008 = 2.94% increase	FY 2004 - FY 2008 = 17.91% increase

Expenses - by Function	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Instruction	$ 67.1	$ 69.9	$ 72.8	$ 83.2	$ 88.3	$ 5.1	6.13%	31.6%
Research	5.8	5.9	5.7	6.3	6.8	0.5	7.9%	17.1%
Public Service	0.5	0.4	0.4	0.4	0.5	0.1	25.0%	-4.8%
Academic Support	18.5	18.6	18.8	21.6	22.5	0.9	4.2%	21.7%
Student Services	8.7	8.9	9.1	9.7	10.1	0.4	4.1%	16.6%
Institutional Support	15.1	14.8	16.0	17.4	16.7	(0.7)	-4.0%	10.6%
Operation & Maintenance	13.7	15.1	18.2	18.6	22.6	4.0	21.5%	65.4%
Scholarships & Fellowships	9.0	8.8	9.3	10.3	10.4	0.1	1.0%	15.8%
Other & Mandatory Transfers	0.8	3.2	0.7	0.2	0.9	0.7	350.0%	12.5%
Total Expenses	**$ 139.1**	**$ 145.6**	**$ 151.0**	**$ 167.7**	**$ 178.8**	**$ 11.1**	**6.6%**	**28.5%**
2004 constant dollars	**$ 131.8**	**$ 133.7**	**$ 134.9**	**$ 145.9**	**$ 151.6**	**$ 5.8**	**3.96%**	**15.0%**
2004 constant dollars per FTE[4]	**$ 10,454**	**$ 10,109**	**$ 10,107**	**$ 10,577**	**$ 11,149**	**$ 572**	**5.41%**	**6.6%**

Key Financial Indicators (Formulas in Glossary)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Ratio (measures liquidity)	3.94	3.86	3.88	3.94	3.67	(0.27)	-6.9%	-6.7%
Net Operating Ratio (measures financial performance)	0.06	0.08	0.08	0.09	0.12	0.03	33.3%	94.1%
Viability Ratio (measures relative liquidity)	1.35	1.58	1.67	1.54	1.74	0.20	13.0%	29.1%
Primary Reserve Ratio (measures financial strength)	0.16	0.15	0.15	0.15	0.16	0.01	6.7%	1.7%
Debt Burden Ratio (measures dependence on debt)	0.04	0.03	0.03	0.03	0.03	-	0.0%	-31.5%
Debt Coverage Ratio (measures excess income to cover debt)	3.65	1.56	2.01	4.62	4.38	(0.24)	-5.2%	20.0%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	5.8%	3.4%	4.5%	4.0%	3.8%	-0.1%	-3.5%	-34.1%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Land	$ 4.9	$ 5.7	$ 8.5	$ 10.0	$ 14.9	$ 4.9	49.0%	201.8%
Construction in Progress	13.4	23.8	19.8	30.1	56.4	26.3	87.4%	319.8%
Buildings	279.7	275.7	279.6	294.8	298.0	3.2	1.1%	6.5%
Improvements other than Buildings	26.1	27.6	35.2	34.7	34.4	(0.3)	-0.9%	31.7%
Equipment	27.3	30.4	30.4	30.6	30.6	-	0.0%	11.9%
Library Books	16.8	17.2	17.8	18.4	18.6	0.2	1.1%	10.6%
Livestock	-	-	-	-		-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 368.4**	**$ 380.4**	**$ 391.3**	**$ 418.6**	**$ 452.9**	**$ 34.3**	**8.2%**	**22.9%**
Historical Cost	**$ 528.6**	**$ 555.0**	**$ 582.8**	**$ 626.5**	**$ 677.0**	**$ 50.5**	**8.1%**	**28.1%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Executive Summary
University of Southern Mississippi

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. The ***University of Southern Mississippi (USM),*** established in 1910, is located in Hattiesburg, Mississippi. USM began with an initial enrollment of 200. USM has since grown into the third largest institution in Mississippi in terms of headcount enrollment. USM has the distinction of being known around the world as being innovative in Polymer Science research. USM is a Carnegie Doctoral Research Extensive University. Within the SREB Region, USM is a Four-Year 1 institution offering approximately 189 programs leading to baccalaureate, master's, specialist, and doctorate degrees.

Background and Overview

The USM has diverse streams of revenue – state appropriations, tuition, donations, and other governmental or private support in the form of contracts and grants. USM incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, their total assets equaled $488.5 million, compared to $466.9 million on June 30, 2007, an increase of $21.6 million.

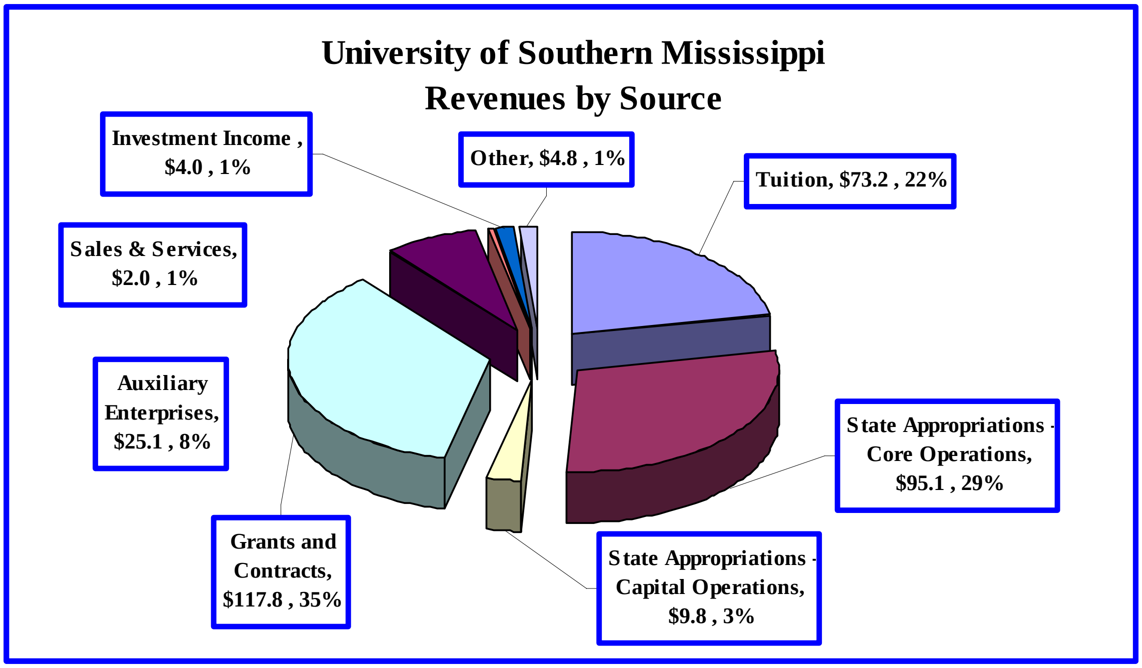
Liabilities decreased to $142.9 million as of June 30, 2008, from $147.1 million on June 30, 2007, a decrease of $4.2 million. Long-term debt was equal to $80.0 million (56%) of the liabilities. Long-term debt increased slightly by $0.7 million from prior year-end levels ($79.3 million).

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total university Net Assets equaled $345.6 million on June 30, 2008, and $319.8 million on June 30, 2007. The $25.8 million increase in net assets represents an increase in the university's equity.

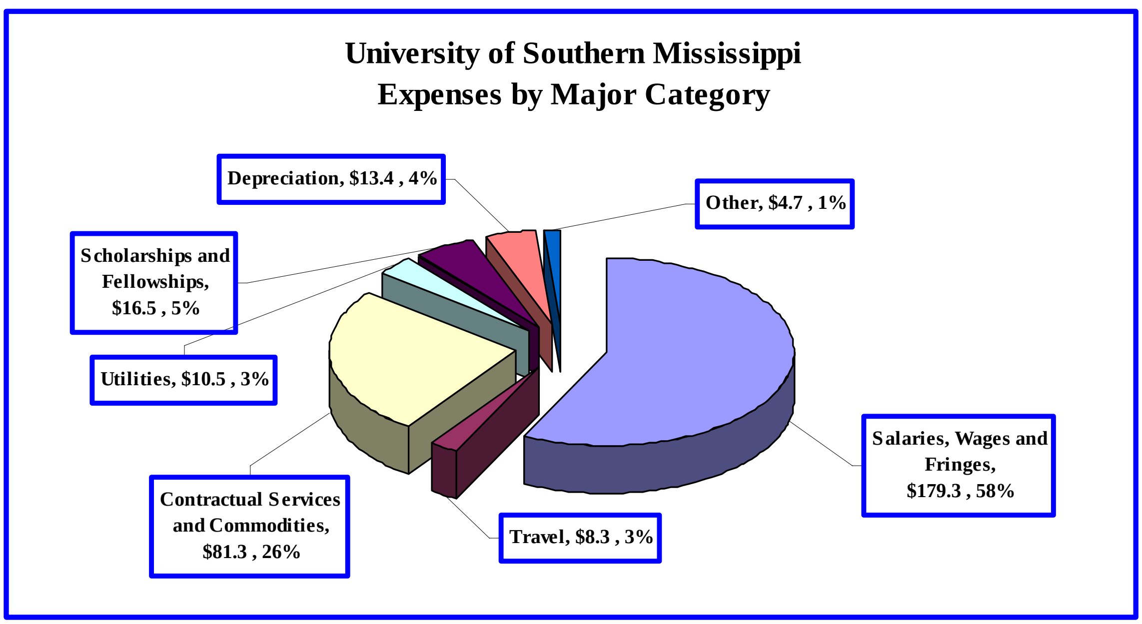
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

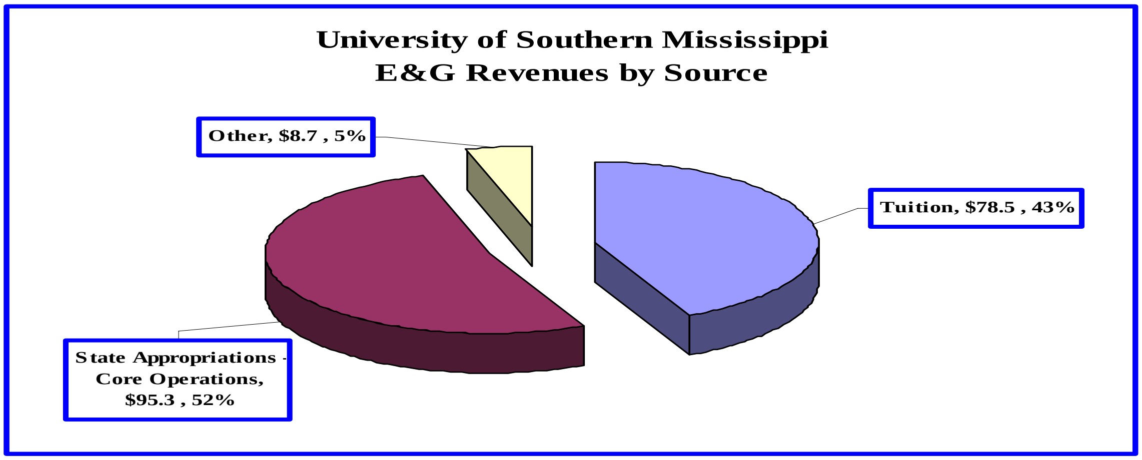
USM's total revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the university generated revenue equaling $331.8 million from all sources and all funds. When compared to all revenues, State Appropriations for Core Operations (29%), Tuition (22%), and Contracts and Grants (35%) made up the largest categories of revenue for the university. Tuition revenues have increased $13.5 million (22.6%) since 2004. State Appropriations dedicated to Core Operations have increased $18.2 million (16.1%) since 2004. Grant and Contract revenues have increased $32.1 million (37.4%) since 2004.



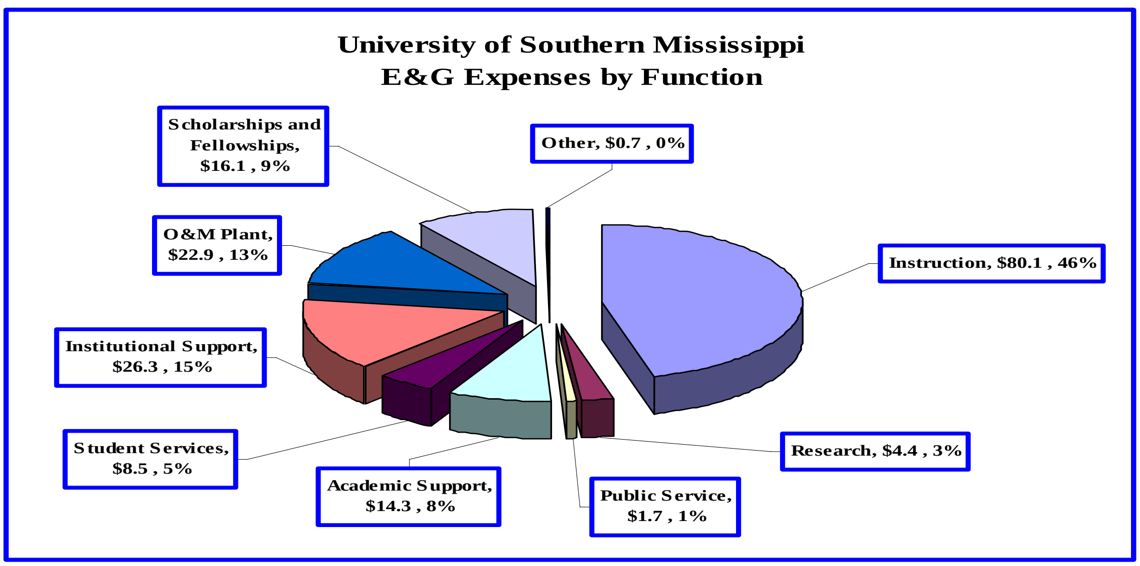
USM expended $314.0 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 58% ($179.3 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 26% of the dollars expended ($81.3 million). Personnel costs increased $16.3 million (10.0%) in 2008. Most USM employees received 5% pay increases during 2008. Student Scholarships and Fellowships expense decreased 19.9% in Fiscal Year 2008, down to $16.5 million.



Education and General Funds
The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Student Tuition (43%) and State Appropriations for Core Operations (52%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 E&G tuition revenue increased $17.8 million (29.4%) as a result of enrollment *and* tuition increases. State Appropriations dedicated to E&G Core Operations have increased $18.4 million since 2004 (23.9%). Total E&G revenues for Fiscal Year 2008 equaled $182.5 million.



During Fiscal Year 2008 approximately 46% of the expenses in the E&G fund were dedicated to the Instruction function. Expenditures for instruction have increased from the Fiscal Year 2004 level by $18.2 million (29.4%). USM pumped an additional $5.7 million into the Instruction function during Fiscal Year 2008 (7.7% increase). The cost to maintain the campus facilities continues to skyrocket. USM's Operations and Maintenance expense has increased 51.6% since 2004. The institution now expends approximately 13% of their total E&G funds on campus upkeep and utilities ($22.9 million). Student Scholarships and Fellowships expense has increased by 99% since 2004, up to $16.1 million. Total E&G expenses for Fiscal Year 2008 were equal to $175.0 million.



Financial Ratios and Trends

Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution had sufficient assets to cover current obligations. The Current Ratio for the institution was 2.30 on June 30, 2007, and increased to 2.62 by June 30, 2008. The increase in the ratio means E&G assets grew at a slightly faster rate than E&G liabilities. Specifically, the current ratio of 2.62 implies that the institution had E&G assets to cover 262% of its E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to 1, or 2.00. USM has met this rule of thumb.

The Net Operating Ratio measures financial performance by comparing the E&G fund net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .08 on June 30, 2006, but dropped to .04 on June 30, 2008. This performance indicates that USM ended the year with a smaller net operating surplus within their E&G operations. The rule of thumb is between .02 and .04. USM met this recommended rule of thumb.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was 0.84, and for June 30, 2008, the ratio increased slightly to 0.88. USM's long-term debt increased $0.7 million at June 30, 2008 ($80.0 million). There is no established rule of thumb for this indicator, but a positive trend is generally desired and indicates that E&G unrestricted net assets are growing faster than debt. A low or declining ratio could hinder the ability of the institution to attract capital from outside sources. USM's ratio has been trending downward since 2004 (1.81).

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from E&G Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio has held relatively constant over the five years under review. The ratio on June 30, 2008, was unchanged at .07. Institutions should maintain a reserve (net assets) to meet unexpected needs and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G net assets to grow at the same growth rate as expenses. A ratio of .07 means the institution could operate for three to four weeks without reliance on new resources. USM should continue to monitor this ratio.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio at 7% (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7% of operating expenses. USM's ratio on June 30, 2008, was .03 and has held constant for the five years under review. USM's ratio was below the industry's upper ceiling.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. USM's coverage decreased to a negative (0.45) for Fiscal Year 2008. This is cause for concern as it continues a five year trend of declining coverage. In 2004 USM's debt coverage ratio was 4.22. The coverage has been negative for the last three fiscal years. The university needs to pay particular attention to this ratio and strategize a future performance plan for increasing the ratio to 1.40 as soon as feasible.

The Percentage of Student Tuition Receivable (net of Allowance) to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio could mean that the institution is not collecting student tuition receivables timely. For Fiscal Year 2008 the indicator was 5.1%, dropping from 6.8% in Fiscal Year 2007. USM's performance in this area is amongst the best in the IHL System, as the average institutional percentage is 12.4%.

Conclusion

This report is intended to show the fiscal size of the university, the sources of revenue, the ways the monies are expended, and to review the financial health of the university through the use of ratio analyses.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 15

University of Southern Mississippi
System Financial Highlights - GASB Presentation
(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 73.2	$ 56.0	$ 73.5	$ 102.3	$ 105.0	$ 2.7	2.6%	43.5%
Capital Assets	211.0	228.8	238.4	279.6	335.8	56.2	20.1%	59.2%
Other Non-Current Assets	74.1	81.5	83.1	85.0	47.7	(37.3)	-43.9%	-35.7%
Total Assets	**$ 358.3**	**$ 366.3**	**$ 395.0**	**$ 466.9**	**$ 488.5**	**$ 21.6**	**4.6%**	**36.4%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 26.5	$ 23.5	$ 29.1	$ 33.7	$ 28.4	$ (5.3)	-15.7%	7.3%
Non-Current Liabilities	72.0	71.5	89.2	113.4	114.5	1.1	1.0%	59.1%
Net Assets	259.8	271.3	276.7	319.8	345.6	25.8	8.1%	33.0%
Total Liabilities and Net Assets	**$ 358.3**	**$ 366.3**	**$ 395.0**	**$ 466.9**	**$ 488.5**	**$ 21.6**	**4.6%**	**36.4%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $13.6m, $14.2m, $21.1m, $21.7m & $18.8m respectively)	$ 59.7	$ 64.8	$ 58.0	$ 64.0	$ 73.2	$ 9.2	14.4%	22.6%
State Appropriations - Core Operations	76.9	78.2	77.5	86.9	95.1	8.2	9.4%	16.1%
State Appropriations - Capital	5.0	8.0	10.2	8.8	9.8	1.0	11.4%	#DIV/0!
Grants and Contracts	85.7	90.1	109.0	134.0	117.8	(16.2)	-12.1%	37.4%
Auxiliary Enterprises - Net	37.3	19.7	21.2	23.5	25.1	1.6	6.8%	-32.7%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	1.7	1.8	1.6	2.2	2.0	(0.2)	-9.1%	#DIV/0!
Investment Income	0.9	2.8	2.2	5.5	4.0	(1.5)	-27.3%	#DIV/0!
Other	4.5	6.0	16.0	16.4	4.8	(11.6)	-70.7%	-32.8%
Total Revenues	**$ 271.7**	**$ 271.4**	**$ 295.7**	**$ 341.3**	**$ 331.8**	**$ (9.5)**	**-2.8%**	**#DIV/0!**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 145.7	$ 151.5	$ 153.2	$ 163.0	$ 179.3	$ 16.3	10.0%	23.1%
Travel	6.2	6.5	7.4	7.5	8.3	0.8	10.7%	33.1%
Contractual Services & Commodities	76.2	65.6	73.1	90.5	81.3	(9.2)	-10.2%	6.7%
Utilities	6.8	7.3	8.6	9.0	10.5	1.5	16.7%	55.0%
Scholarships and Fellowships	13.6	16.3	22.4	20.6	16.5	(4.1)	-19.9%	21.4%
Depreciation	10.1	9.6	9.8	11.2	13.4	2.2	19.6%	32.0%
Interest on Capital Assets	2.7	1.9	1.8	2.6	3.7	1.1	42.3%	39.4%
Other	0.3	1.3	4.1	1.6	1.0	(0.6)	-37.5%	283.0%
Total Expenses	**$ 261.6**	**$ 260.0**	**$ 280.4**	**$ 306.0**	**$ 314.0**	**$ 8.0**	**2.6%**	**#DIV/0!**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 38.6	$ 37.0	$ 54.8	$ 78.7	$ 79.3	$ 0.6	0.8%	#DIV/0!
Capital Leases	1.4	0.9	0.7	0.6	0.7	0.1	16.7%	#DIV/0!
Total Debt	**$ 40.0**	**$ 37.9**	**$ 55.5**	**$ 79.3**	**$ 80.0**	**$ 0.7**	**0.9%**	**#DIV/0!**
Investments	**$ 54.5**	**$ 61.1**	**$ 51.0**	**$ 60.2**	**$ 31.4**	**$ (28.8)**	**-47.8%**	**#DIV/0!**
Investment Income	**$ 0.9**	**$ 2.8**	**$ 2.2**	**$ 5.5**	**$ 4.0**	**$ (1.5)**	**-27.3%**	**#DIV/0!**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 16

University of Southern Mississippi
Financial Highlights - Education and General
(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ 60.7	$ 65.7	$ 66.1	$ 72.3	$ 78.5	$ 6.2	8.58%	29.4%
State Appropriations - Core Operations	76.9	78.2	77.5	86.9	95.3	8.4	9.68%	23.9%
Other	5.5	9.6	9.8	13.0	8.7	(4.3)	-33.08%	58.1%
Total Revenue	**$ 143.1**	**$ 153.5**	**$ 153.4**	**$ 172.2**	**$ 182.5**	**$ 10.3**	**5.99%**	**27.5%**
2004 constant dollars	**$ 135.6**	**$ 140.9**	**$ 137.0**	**$ 149.8**	**$ 154.8**	**$ 5.0**	**3.34%**	**14.2%**
2004 constant dollars per FTE[4]	**$ 10,507**	**$ 10,602**	**$ 10,395**	**$ 11,839**	**$ 12,256**	**$ 417**	**3.52%**	**16.6%**

Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**	**FY 2004 - FY 2008 = 17.91% increase**

Expenses - by Function	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Instruction	$ 61.9	$ 67.1	$ 69.5	$ 74.4	$ 80.1	$ 5.7	7.66%	29.4%
Research	4.4	4.1	3.3	3.8	4.4	0.6	15.8%	-0.2%
Public Service	3.1	2.9	2.0	1.6	1.7	0.1	6.3%	-44.8%
Academic Support	12.9	14.2	15.1	12.7	14.3	1.6	12.6%	10.5%
Student Services	5.8	7.5	7.6	8.0	8.5	0.5	6.3%	46.8%
Institutional Support	14.6	16.8	18.0	23.7	26.3	2.6	11.0%	80.2%
Operation & Maintenance	15.1	17.0	17.7	20.1	22.9	2.8	13.9%	51.6%
Scholarships & Fellowships	8.1	10.9	7.2	13.1	16.1	3.0	22.9%	99.0%
Other & Mandatory Transfers	1.5	3.2	1.1	0.7	0.7	-	0.0%	-53.3%
Total Expenses	**$ 127.4**	**$ 143.7**	**$ 141.5**	**$ 158.1**	**$ 175.0**	**$ 16.9**	**10.7%**	**37.4%**
2004 constant dollars	**$ 120.7**	**$ 131.9**	**$ 126.4**	**$ 137.5**	**$ 148.4**	**$ 10.9**	**7.93%**	**22.9%**
2004 constant dollars per FTE[4]	**$ 9,355**	**$ 9,925**	**$ 9,589**	**$ 10,869**	**$ 11,751**	**$ 882**	**8.12%**	**25.6%**

Key Financial Indicators (Formulas in Glossary)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Ratio (measures liquidity)	1.88	2.27	2.10	2.30	2.62	0.32	13.9%	39.2%
Net Operating Ratio (measures financial performance)	0.11	0.06	0.08	0.08	0.04	(0.04)	-50.0%	-63.7%
Viability Ratio (measures relative liquidity)	1.81	1.76	1.12	0.84	0.88	0.04	4.8%	-51.4%
Primary Reserve Ratio (measures financial strength)	0.07	0.06	0.07	0.07	0.07	-	0.0%	1.5%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.02	0.03	0.03	-	0.0%	50.0%
Debt Coverage Ratio (measures excess income to cover debt)	4.22	2.32	0.14	(0.33)	(0.45)	(0.12)	36.4%	-110.7%
Student Tuition Receivables to Net Tuition & Fees after allowance adjustment	5.2%	7.8%	8.4%	6.8%	5.1%	-1.7%	-24.7%	-2.1%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Land	$ 13.5	$ 14.0	$ 14.3	$ 14.9	$ 14.9	$ -	0.0%	10.5%
Construction in Progress	23.6	37.3	11.6	48.9	80.1	31.2	63.8%	239.1%
Buildings	142.1	146.3	181.0	181.2	196.2	15.0	8.3%	38.1%
Improvements other than Buildings	10.5	10.7	11.6	12.6	16.6	4.0	31.7%	58.3%
Equipment	11.1	10.6	9.6	10.7	16.1	5.4	50.5%	45.1%
Library Books	10.2	9.9	10.3	11.3	11.9	0.6	5.3%	16.4%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 199.4**	**$ 228.8**	**$ 238.4**	**$ 279.6**	**$ 335.8**	**$ 56.2**	**20.1%**	**68.4%**
Historical Cost	**$ 334.2**	**$ 358.2**	**$ 374.4**	**$ 427.4**	**$ 494.0**	**$ 66.6**	**15.6%**	**47.8%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Executive Summary
University of Mississippi Medical Center

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL) is responsible for governing the State's public four-year institutions. The ***University of Mississippi Medical Center (UMMC),*** established in 1955**,** has the distinction of having doctors who performed the nations' first heart and lung transplants. The UMMC offers approximately 38 programs leading to certificate, baccalaureate, master's, first-professional, and doctorate degrees.

Background and Overview

The UMMC has diverse streams of revenue – state appropriations, tuition, patient revenues, donations, and other governmental or private support in the form of contracts and grants. UMMC incurs expenses while in the process of carrying out its mission of higher education. As of June 30, 2008, their total assets were equal to $889.6 million, compared to $782.8 million on June 30, 2007, an increase of $106.8 million. A significant portion of this increase was realized when the "Disproportionate Share" and "Medicaid Upper Payment Limit" receivables increased $33.3 million at year-end. Endowment cash holdings also increased $10.8 million.

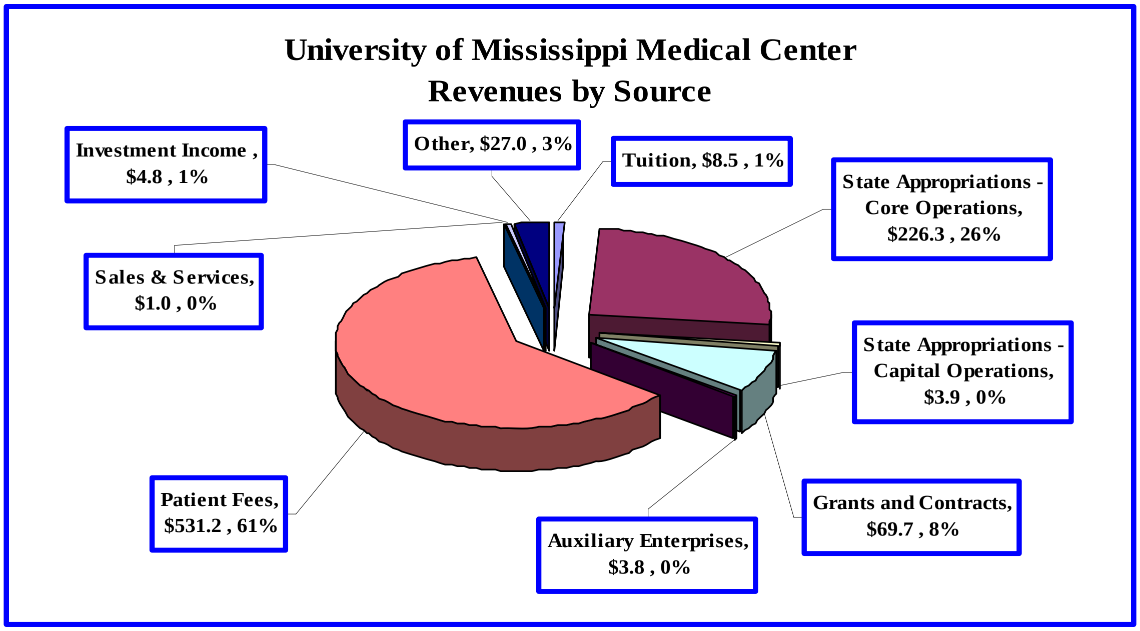
Liabilities increased to $309.0 million as of June 30, 2008, up from $273.8 million on June 30, 2007, an increase of $35.2 million. Most of this increase was attributable to the institution's "Due to Third Party Payer's" liability ($22.7 million. Long-term Debt was equal to $161.8 million (52%) of the total liabilities.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total university Net Assets equaled $580.6 million on June 30, 2008, and $509.0 million on June 30, 2007. The $71.6 million increase in net assets represents an increase in the university's equity.

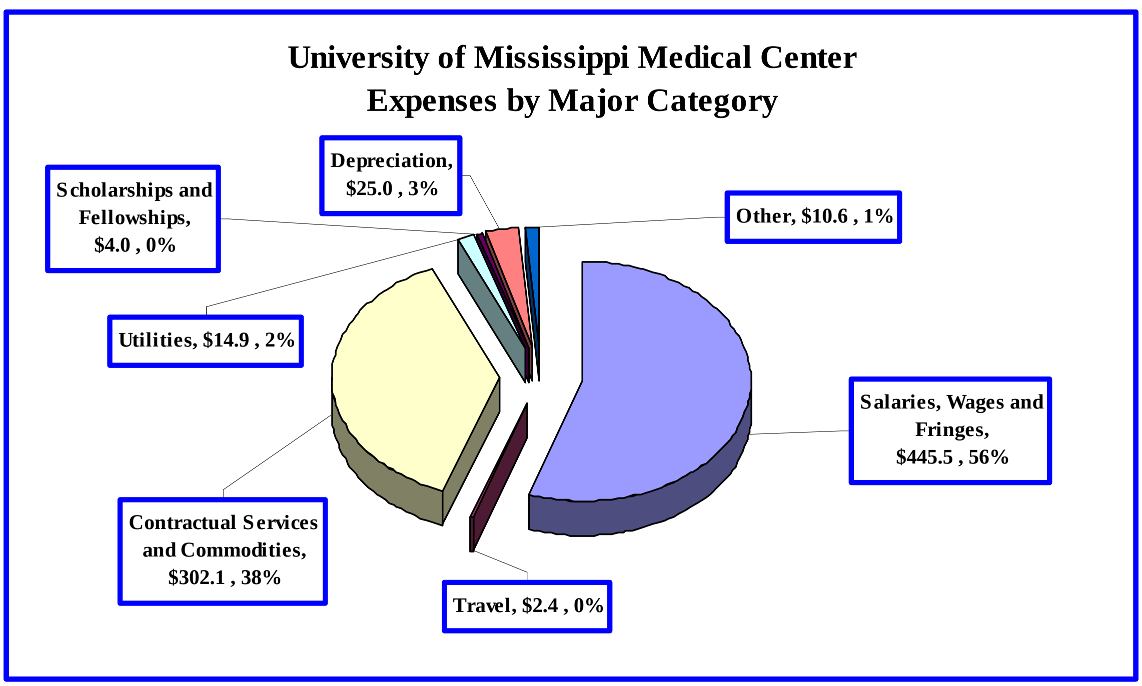
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

UMMC's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the system generated revenues of $876.2 million from all sources and all funds. When compared to all revenues, Patient Fees (61%), State Appropriations dedicated for Core Operations (26%), and Contracts and Grants (8%) made up the largest categories of revenue for the institution. Patient Fee revenues have increased $140.6 million since 2004 (36%). These revenues increased $67.3 million alone in Fiscal Year 2008 (14.5%). State Appropriations for Core Operations have increased $79.0 million since 2004 (53.6%). These appropriations actually increased $43.7 million alone in 2008 (23.9%). Tuition was negligible at one percent.

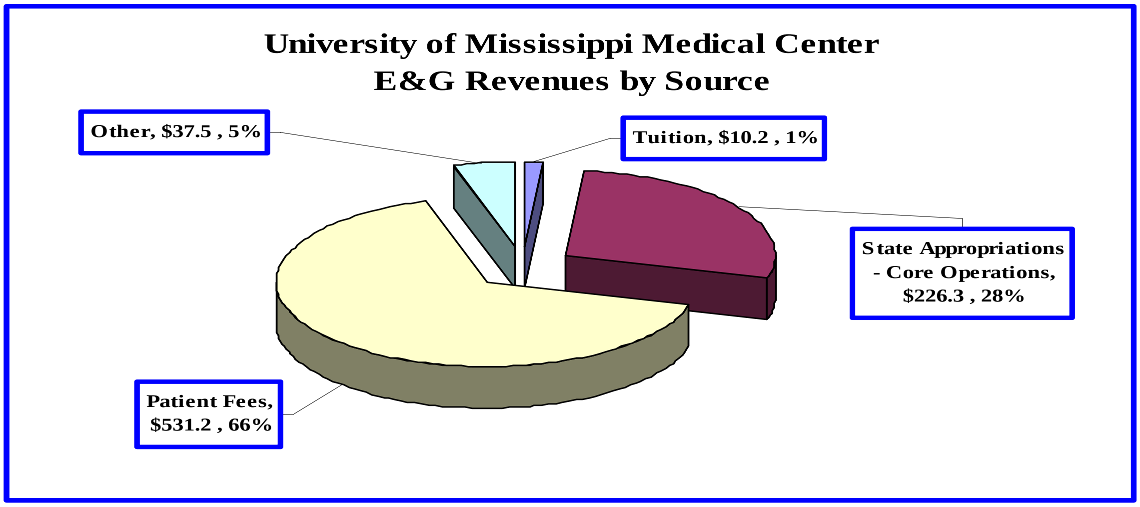


UMMC expended $804.5 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, Interest on Capital Assets, and other expenses and deductions. Approximately 56% ($445.5 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 38% of the dollars expended ($302.1 million). UMMC's personnel costs increased $41.4 million in 2008 (10.2%). Most UMMC employees received 5% pay increases during 2008. Contractual service and Commodities expenses increased $31.4 million in 2008 (11.6%).

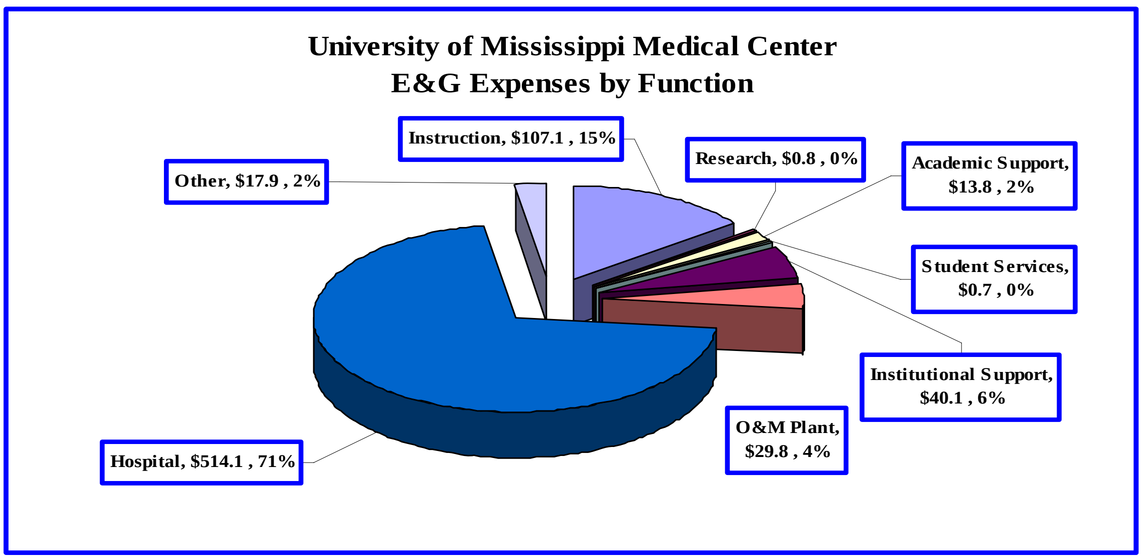


Education and General Funds

The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – Patient Fees (66%) and State Appropriations dedicated for Core Operations (28%) in Fiscal Year 2008. These two funding sources support the general operations of the campus. From Fiscal Year 2004 to Fiscal Year 2008 E&G Patient Fees revenues increased $140.6 million (36.0%). State Appropriations for E&G Core Operations increased $79.0 million since 2004 (53.6%). In fact, these appropriations increased $43.7 million alone in 2008 (23.9%). Total E&G revenues for Fiscal Year 2008 were equal to $805.2 million.



During Fiscal Year 2008 approximately 15% of the expenses in the E&G fund were spent on the Instruction function. E&G expenditures for instruction have increased from its Fiscal Year 2004 level by $18.0 million. These instructional expenses increased $10.9 million in 2008 alone (11.3%). E&G Institutional Support expense increased 12% in 2008, up to $40.1 million. Hospital Service expenses increased $50.4 million during Fiscal Year 2008. In fact, hospital expenses have increased $134.8 million since 2004 (35.5%). Total E&G expenses for Fiscal Year 2008 were equal to $724.3 million.



Financial Ratios and Trends
Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 3.73 on June 30, 2007, but slipped to 3.02 by June 30, 2008. This decrease means that E&G liabilities grew at a slightly faster rate than did E&G assets. Specifically, the current ratio of 3.02 implies that the institution had E&G assets to cover 302% of its E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to1, or 2.00. UMMC has met this recommended rule of thumb.

The Net Operating Ratio measures financial performance by comparing the E&G fund net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .04 on June 30, 2007, and increased significantly to .10 on June 30, 2008. This performance indicates that UMMC ended each year with a net operating surplus within their E&G operations. The rule of thumb is between .02 and .04. UMMC is well above the recommended rule of thumb.

The Viability Ratio measures the relative liquidity of the system. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. The Viability Ratio on June 30, 2007, was .930, and for June 30, 2008, the ratio climbed to 1.18. UMMC's long-term debt increased slightly to $161.8 million. There is no established rule of thumb for this indicator, but a positive trend is generally desired and indicates that E&G unrestricted net assets are growing faster than debt. A low or declining ratio could hinder the ability of the institution to attract capital from outside sources. UMMC's ratio remains one of the strongest in the IHL System.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from E&G Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio has held relatively constant over the five years under review. The ratio on June 30, 2008, was equal to 0.25. Institutions should maintain a reserve (net assets) to meet unexpected needs, and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G net assets to grow at the same growth rate as expenses. A ratio of .25 means the institution could operate almost twelve weeks without reliance on new resources.

The Debt Burden Ratio measures the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio at 7% (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7% of operating expenses. UMMC's ratio on June 30, 2008, was .02 and has held constant for the five years under review.

The Debt Coverage Ratio measures whether-or-not income is sufficiently available to cover annual debt service payments. This ratio performance indicates to creditors whether an institution has a net income stream available to meets its debt burden should economic conditions change. The goal for this ratio is to maintain positive debt coverage of at least 1.4. These means income streams will at a minimum cover the annual debt service payments by 1.4 times. It is best to consider multiple years (trends) when evaluating this ratio. UMMC's coverage increased to 5.50 for Fiscal Year 2008. This was a dramatic increase over 2007, when it stood at a 3.44. UMMC's five year trend coverage is very healthy

One ratio measurement that institutions can use to evaluate their collection efforts is the Change in the Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Patient Fees. This ratio reversed course in Fiscal Year 2008 and increased significantly to a level of 56.7% percent. At June 30, 2007, the percentage was equal to 19.8%. A large reason for the change was due to large increase in UMMC's Allowance for Doubtful Patient Accounts estimate. Each year this allowance is evaluated for sufficiency. Changes are based upon professional estimates made on the collectability of patient accounts. In 2008, the Allowance increase was equal to $267.1 million. This change accounts for the ratios large change. *These large annual increases are normal for large-scale charity type hospitals. At June 30, 2008, the total estimated Allowance for Doubtful Patient Accounts was set at $1.84 billion. At June30, 2007, the Allowance was estimated at $1.57 billion.*

Conclusion

This report is intended to show the fiscal size of the university, the sources of revenue, the ways the monies are expended, and to review the financial health of the university through the use of ratio analyses. The ratios appear within appropriate ranges.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 17

University of Mississippi Medical Center
System Financial Highlights - GASB Presentation
(in millions)

Statement of Net Assets

Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 204.3	$ 184.6	$ 202.9	$ 228.8	$ 317.8	$ 89.0	38.9%	55.6%
Capital Assets	312.4	321.7	339.4	370.6	391.5	20.9	5.6%	25.3%
Other Non-Current Assets	163.1	164.4	175.1	183.4	180.3	(3.1)	-1.7%	10.6%
Total Assets	**$ 679.8**	**$ 670.7**	**$ 717.4**	**$ 782.8**	**$ 889.6**	**$ 106.8**	**13.6%**	**30.9%**

Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 52.2	$ 53.4	$ 57.6	$ 68.2	$ 101.6	$ 33.4	49.0%	94.5%
Non-Current Liabilities	185.1	179.9	180.8	205.6	207.4	1.8	0.9%	12.0%
Net Assets	442.5	437.4	479.0	509.0	580.6	71.6	14.1%	31.2%
Total Liabilities and Net Assets	**$ 679.8**	**$ 670.7**	**$ 717.4**	**$ 782.8**	**$ 889.6**	**$ 106.8**	**13.6%**	**30.9%**

Revenues and Expenses

Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (net of scholarship allowance of $0, $1.0, $1.5 m, $1.5 m & $1.7 m respectively)	$ 4.5	$ 5.0	$ 5.0	$ 7.0	$ 8.5	$ 1.5	21.4%	90.3%
State Appropriations - Core Operations	147.3	151.0	144.1	182.6	226.3	43.7	23.9%	53.6%
State Appropriations - Capital	6.2	0.9	0.4	0.4	3.9	3.5	875.0%	-37.1%
Grants and Contracts	54.6	77.9	76.2	80.1	69.7	(10.4)	-13.0%	27.7%
Auxiliary Enterprises - Net	13.3	5.4	4.5	3.9	3.8	(0.1)	-2.6%	-71.5%
Patient Fees	390.6	388.4	435.3	463.9	531.2	67.3	14.5%	36.0%
Sales and Services	0.9	0.9	0.6	1.0	1.0	-	0.0%	11.1%
Investment Income	6.8	6.6	8.4	18.6	4.8	(13.8)	-74.2%	-29.4%
Other	8.1	19.6	27.5	23.2	27.0	3.8	16.4%	231.3%
Total Revenues	**$ 632.4**	**$ 655.7**	**$ 702.0**	**$ 780.7**	**$ 876.2**	**$ 95.5**	**12.2%**	**38.6%**

Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 343.5	$ 363.1	$ 360.8	$ 404.1	$ 445.5	$ 41.4	10.2%	29.7%
Travel	2.2	2.3	2.0	2.2	2.4	0.2	9.1%	7.0%
Contractual Services & Commodities	226.6	241.0	249.4	270.7	302.1	31.4	11.6%	33.3%
Utilities	10.7	12.5	17.4	13.0	14.9	1.9	14.6%	39.5%
Scholarships and Fellowships	3.1	4.0	4.0	3.8	4.0	0.2	5.3%	27.3%
Depreciation	17.4	18.7	19.5	21.6	25.0	3.4	15.7%	43.9%
Interest on Capital Assets	5.0	7.4	4.7	6.3	7.7	1.4	22.2%	53.4%
Other	1.5	11.8	2.0	4.5	2.9	(1.6)	-35.6%	97.2%
Total Expenses	**$ 610.1**	**$ 660.8**	**$ 659.8**	**$ 726.2**	**$ 804.5**	**$ 78.3**	**10.8%**	**31.9%**

Selected Data

Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ 150.9	$ 147.8	$ 143.8	$ 139.6	$ 135.1	$ (4.5)	-3.2%	-10.5%
Capital Leases	10.1	8.1	14.4	22.0	26.7	4.7	21.4%	164.4%
Total Debt	**$ 161.0**	**$ 155.9**	**$ 158.2**	**$ 161.6**	**$ 161.8**	**$ 0.2**	**0.1%**	**0.5%**
Investments	**$ 82.1**	**$ 125.3**	**$ 105.7**	**$ 108.6**	**$ 79.2**	**$ (29.4)**	**-27.1%**	**-3.5%**
Investment Income	**$ 6.8**	**$ 6.6**	**$ 8.4**	**$ 18.6**	**$ 4.8**	**$ (13.8)**	**-74.2%**	**-29.4%**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 18

University of Mississippi Medical Center								
Financial Highlights - Education and General (in millions)								
Revenue	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Tuition (gross)	$ 5.3	$ 6.0	$ 6.5	$ 8.5	$ 10.2	$ 1.7	20.00%	92.5%
State Appropriations - Core Operations	147.3	141.0	144.1	182.6	226.3	43.7	23.93%	53.6%
Other	417.6	430.6	466.8	490.4	568.7	78.3	15.97%	36.2%
Total Revenue	**$ 570.2**	**$ 577.6**	**$ 617.4**	**$ 681.5**	**$ 805.2**	**$ 123.7**	**18.15%**	**41.2%**
2004 constant dollars	**$ 540.3**	**$ 530.3**	**$ 551.4**	**$ 592.8**	**$ 682.9**	**$ 90.1**	**15.20%**	**26.4%**
Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**			**FY 2004 - FY 2008 = 17.91% increase**				
Expenses - by Function	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Instruction	$ 89.1	$ 90.6	$ 87.4	$ 96.2	$ 107.1	$ 10.9	11.33%	20.3%
Research	1.1	1.2	1.3	1.4	0.8	(0.6)	-42.9%	-24.6%
Public Service	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Academic Support	10.9	13.6	11.1	12.6	13.8	1.2	9.5%	27.2%
Student Services	0.5	0.6	0.6	0.7	0.7	-	0.0%	28.7%
Institutional Support	29.6	31.1	32.2	35.8	40.1	4.3	12.0%	35.5%
Operation & Maintenance	23.3	24.9	28.6	26.5	29.8	3.3	12.5%	27.7%
Scholarships & Fellowships	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Hospital Expenses	379.3	403.3	410.2	463.7	514.1	50.4	10.9%	35.5%
Other & Mandatory Transfers	8.3	19.9	11.3	15.6	17.9	$ 2.3	14.7%	116.0%
Total Expenses	**$ 542.0**	**$ 585.2**	**$ 582.7**	**$ 652.5**	**$ 724.3**	**$ 71.8**	**11.00%**	**33.6%**
2004 constant dollars	**$ 513.6**	**$ 537.3**	**$ 520.4**	**$ 567.6**	**$ 614.3**	**$ 46.7**	**8.2%**	**19.6%**
Key Financial Indicators (Formulas in Glossary)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Current Ratio (measures liquidity)	4.93	4.71	4.92	3.73	3.02	(0.71)	-19.0%	-38.7%
Net Operating Ratio (measures financial performance)	0.05	(0.01)	0.06	0.04	0.10	0.06	150.0%	100.0%
Viability Ratio (measures relative liquidity)	0.71	0.64	0.70	0.93	1.18	0.25	26.9%	66.2%
Primary Reserve Ratio (measures financial strength)	0.25	0.20	0.25	0.24	0.25	0.01	4.2%	0.0%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.02	0.02	0.02	-	0.0%	18.7%
Debt Coverage Ratio (measures excess income to cover debt)	2.96	1.64	3.68	3.44	5.50	2.06	59.9%	85.8%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Prior Year's Patient Fees	38.3%	39.2%	36.9%	19.8%	56.7%	0.37	186.4%	48.0%
Selected Data- SYSTEM								
Capital Assets - System (net of depreciation)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**2007 to 2008 $ Change**	**2007 to 2008 % Change**	**2004 to 2008 % Change**
Land	$ 2.2	$ 2.2	$ 2.2	$ 2.2	$ 3.2	$ 1.0	45.5%	44.1%
Construction in Progress	77.3	63.1	66.8	35.0	59.6	24.6	70.3%	-22.9%
Buildings	154.7	174.9	184.1	240.2	238.0	(2.2)	-0.9%	53.8%
Improvements other than Buildings	4.5	4.6	4.5	4.2	3.8	(0.4)	-9.5%	-16.1%
Equipment	64.4	67.4	72.0	79.1	76.7	(2.4)	-3.0%	19.1%
Library Books	9.3	9.5	9.8	9.9	10.2	0.3	3.0%	9.7%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 312.4**	**$ 321.7**	**$ 339.4**	**$ 370.6**	**$ 391.5**	**$ 20.9**	**5.6%**	**25.3%**
Historical Cost	**$ 478.6**	**$ 502.1**	**$ 537.3**	**$ 585.5**	**$ 621.9**	**$ 36.4**	**6.2%**	**29.9%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfer
4. Not in millions

Executive Summary
Executive Office

Background and Overview

The IHL Executive Office does not have the diverse streams of revenue available to the institutions. The majority of the revenue received by the Executive Office is in the form of State Appropriations; however, the Executive Office does receive revenue from several contracts and grants. The Executive Office incurs expenses while in the process of carrying out its mission of higher education. The Executive Office also has the responsibility of managing several central services including the risk management pool for the system and the Office of State Financial Aid. As of June 30, 2008, total assets were equal to $90.8 million, compared to $85.7 million on June 30, 2007, an increase of $5.1 million.

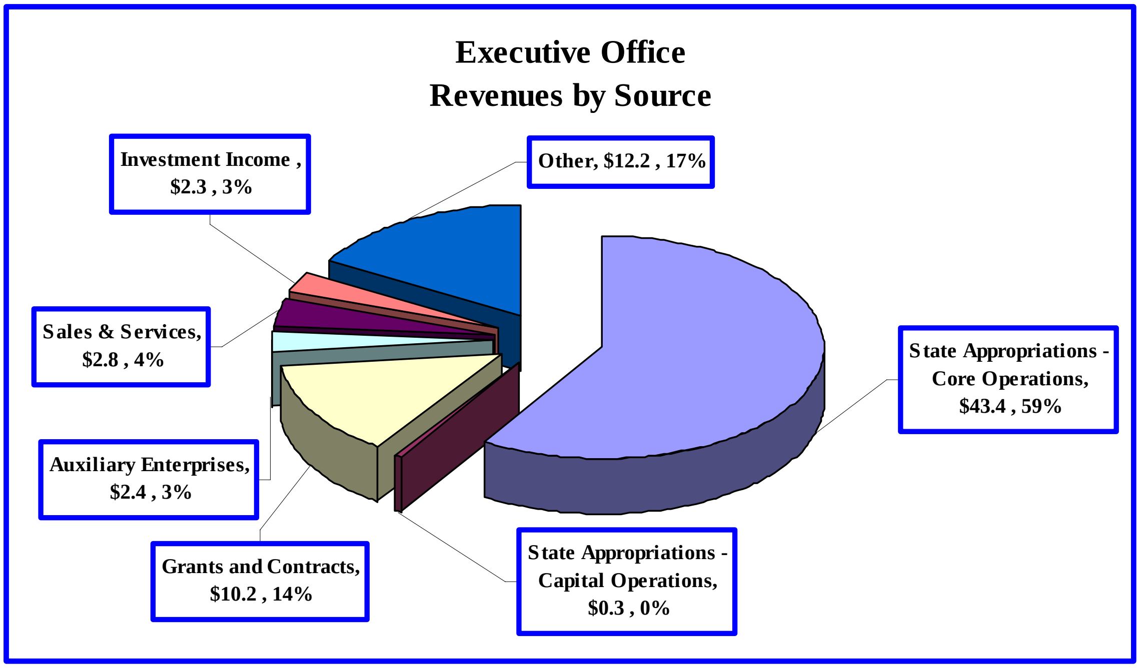
Liabilities increased to $27.4 million as of June 30, 2008, up from $26.3 million on June 30, 2007, an increase of $1.1 million. Approximately $0.9 million of this increase was attributable to the Board Office's Workers Compensation, Unemployment and Tort Liability pool reserves. The Executive Office currently has no long-term debt.

Net Assets (the difference between Assets and Liabilities) are broken into four categories: Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted. Total university Net Assets equaled $63.4 million on June 30, 2008, and $59.4 million on June 30, 2007. The $4.0 million increase in net assets represents an increase in the Executive Office's equity.

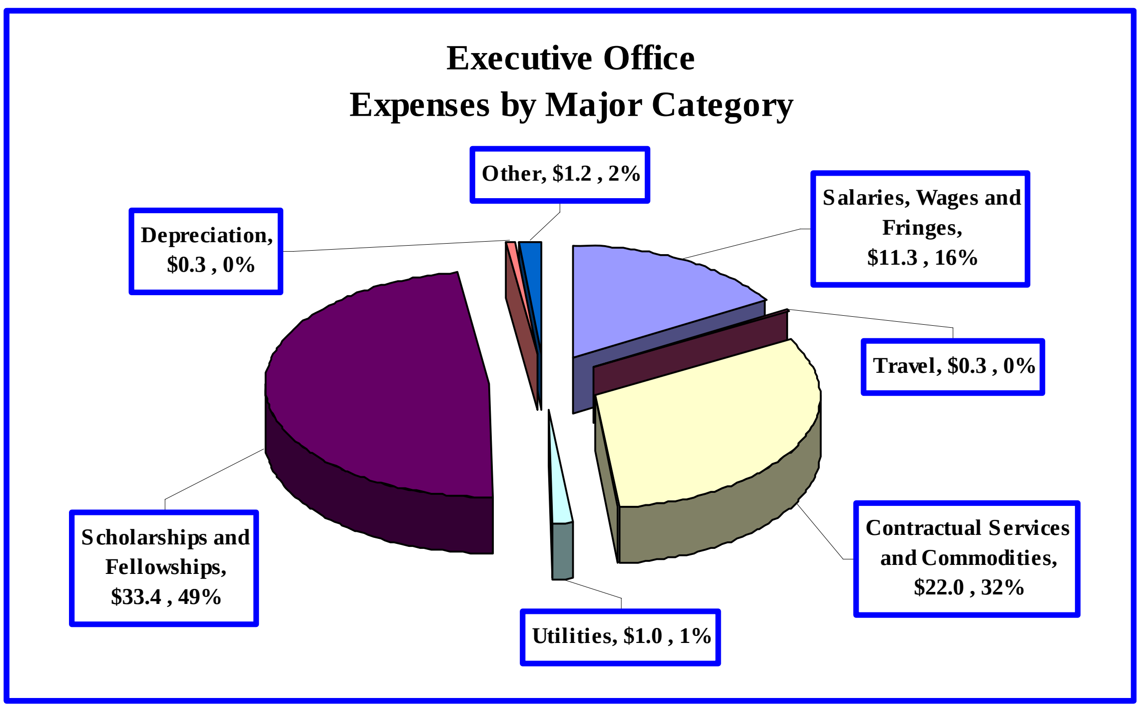
Four-year public universities receive primarily two types of funds from the state: appropriations for capital projects (e.g. new buildings and renovations for existing buildings) and appropriations for operating funds (e.g. salaries, fringe benefits, etc.). Capital project funds are restricted and cannot be used for operational expenses; therefore, increases in equity exclusively due to increases in the value of land, buildings and equipment, or restricted dollars do not give the universities added flexibility with respect to operations.

System Revenues and Expenses

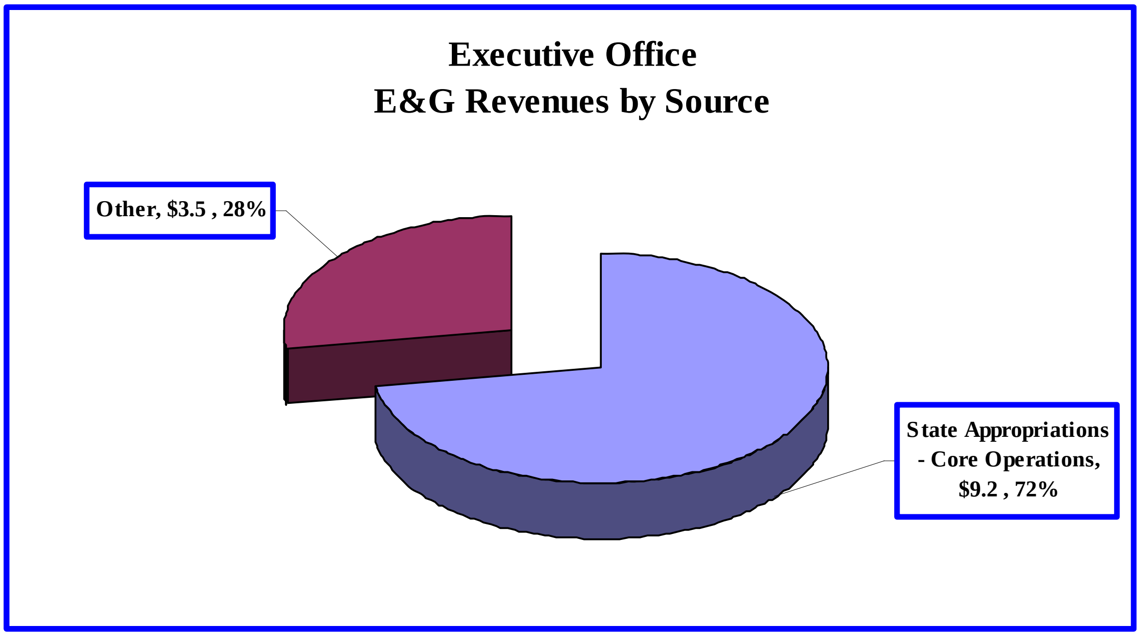
The Executive Office's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2008, the system generated revenues of $73.6 million from all sources and all funds. When compared to all revenues, State Appropriations dedicated to Core Operations (59%), Contracts and Grants (14%), and custodial funds (17%) made up the largest categories of revenue for the institution. State Appropriations for Core Operations have increased $7.5 million since 2004, a 21% increase. Custodial fund revenues increased approximately $7.0 million in 2008. This was a result of the Executive Office reinstituting the annual university assessments for the Workers Compensation pool.



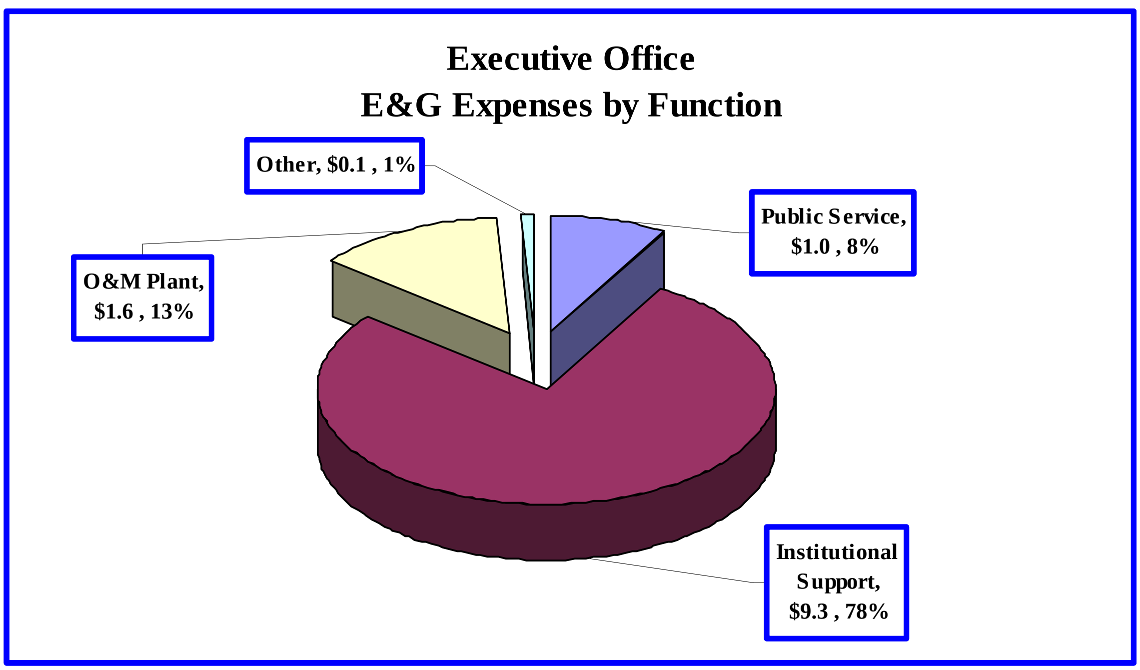
The Executive Office expended $69.5 million in Fiscal Year 2008. Expenses are comprised of Salary, Wages and Fringe Benefits, Travel, Contractual Services and Commodities, Utilities, Scholarships and Fellowships, Depreciation Expense, and other expenses and deductions. Approximately 16% ($11.3 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 32% of the dollars expended ($22.0 million). Student Scholarships and Fellowship costs represent the largest single expense category 49% ($33.4 million).



Education and General Funds
The educational and general (E&G) fund, when considered separately from all other funds, had two main sources of revenue – State Appropriations dedicated for Core Operations (72%), and Sales and Source revenues (aka..Other revenues 28%). From Fiscal Year 2004 to Fiscal Year 2008, state appropriations increased $1.5 million, or 7.2%. Total E&G revenues for Fiscal Year 2008 were equal to $12.7 million.



Total E&G expenses for Fiscal Year 2008 were equal to $12.0 million. Institutional Support costs increases $0.8 million in 2008 (9.4%).



Financial Ratios and Trends
Financial ratios are valuable tools in assessing the financial health of an institution. However, institutional financial ratios are valuable only if used in comparison to something else such as another institution of similar mission and size or to itself over time. Key ratios and a brief summary of each follow:

The Current Ratio measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the Executive Office was 3.50 on June 30, 2007, but dipped to 2.29 on June 30, 2008. This decrease means that E&G liabilities basically grew at a faster rate than E&G assets. Specifically, the current ratio of 2.29 implies that the Executive Office had E&G assets to cover 229% of their E&G liabilities. The rule of thumb (non-industry specific) for this ratio should be 2 to 1, or 2.00. The Executive Office met this recommended rule of thumb.

The Net Operating Ratio measures financial performance by comparing the E&G net annual surplus or deficit to annual operating revenues. Since the majority of the funds to operate the Executive Office are state appropriations, and state appropriations lapse back to the state if not spent, the Executive Office would typically have a very small surplus from self-generated funds. The Net Operating Ratio was .01 on June 30, 2007, but rose to .06 on June 30, 2008. This performance indicates that the Executive Office ended both years with a net operating surplus within their E&G operations. The rule of thumb is typically between .02 and .04.

The Viability Ratio measures the relative liquidity of the Executive Office. The ratio measures the availability of assets to settle long-term capital debt as of the financial statement date. Because the Executive Office has no debt, the measure does not apply.

The Primary Reserve Ratio measures the financial strength of the institution and describes its ability to support current operations from E&G Unrestricted Net Assets without depending on revenues from current operations. Because the Executive Office is so dependent upon State Appropriations, it reserve funds are typically small. The Executive Office could not operate without reliance on a drawdown from state appropriations. For Fiscal Year 2007 the Executive Office had a ratio of .05. In Fiscal Year 2008, this ratio increased to .11. Institutions should maintain a reserve (net assets) to meet unexpected needs, and the reserve should keep pace with institutional growth. A good rule of thumb is for E&G net assets to grow at the same growth rate as expenses. A ratio of .11 means that the Executive Office could operate for three to four weeks without reliance on new resources.

The Debt Burden Ratio measures the institution’s dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. Investment bankers have identified an upper ceiling for the Debt Burden Ratio at 7% (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7% of operating expenses. The Executive Office does not have any current debt; therefore, the ratio is not applicable to the Executive Office.

Conclusion
This report is intended to show the fiscal size of the Executive Office, the sources of revenue, the ways the monies are expended and to review the financial health of the university through the use of ratio analyses. The ratios appear within appropriate ranges.

Financial indicators are not the only measurement of health of an institution. Other comparative data is provided on a regular basis by the Office of Policy Research and Planning within IHL.

Appendix 2: Institutional Highlights
Table 19

Mississippi State Institutions of Higher Learning - Executive Office								
System Financial Highlights - GASB Presentation								
(in millions)								
Statement of Net Assets								
Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Assets	$ 11.6	$ 8.2	$ 11.7	$ 17.8	$ 16.4	$ (1.4)	-7.9%	41.9%
Capital Assets	6.0	5.7	5.5	5.7	5.4	(0.3)	-5.3%	-10.2%
Other Non-Current Assets	41.9	44.5	49.3	62.2	69.0	6.8	10.9%	64.6%
Total Assets	**$ 59.5**	**$ 58.4**	**$ 66.5**	**$ 85.7**	**$ 90.8**	**$ 5.1**	**6.0%**	**52.7%**
Liabilities and Net Assets	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Liabilities	$ 10.3	$ 5.9	$ 7.3	$ 8.4	$ 9.0	$ 0.6	7.1%	-12.3%
Non-Current Liabilities	12.8	14.2	16.5	17.9	18.4	0.5	2.8%	43.3%
Net Assets	36.4	38.3	42.7	59.4	63.4	4.0	6.7%	74.3%
Total Liabilities and Net Assets	**$ 59.5**	**$ 58.4**	**$ 66.5**	**$ 85.7**	**$ 90.8**	**$ 5.1**	**6.0%**	**52.7%**
Revenues and Expenses								
Revenues	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition	$ -	$ -	$ -	$ -	$ -	$ -	#DIV/0!	#DIV/0!
State Appropriations - Core Operations	35.9	37.2	40.9	43.9	43.4	(0.5)	-1.1%	21.0%
State Appropriations - Capital	-	-	-	-	0.3	0.3	#DIV/0!	#DIV/0!
Grants and Contracts	13.9	12.7	58.4	62.2	10.2	(52.0)	-83.6%	-26.6%
Auxiliary Enterprises - Net	1.9	2.1	2.1	2.1	2.8	0.7	33.3%	49.1%
Patient Fees	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Sales and Services	3.6	2.6	3.3	2.7	2.4	(0.3)	-11.1%	-33.3%
Investment Income	0.6	0.8	0.3	1.9	2.3	0.4	21.1%	283.3%
Other	9.2	11.7	12.7	5.2	12.2	7.0	134.6%	32.6%
Total Revenues	**$ 65.1**	**$ 67.1**	**$ 117.7**	**$ 118.0**	**$ 73.6**	**$ (44.4)**	**-37.6%**	**13.1%**
Expenses	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Salaries, Wages, and Fringe Benefits	$ 9.9	$ 9.9	$ 10.4	$ 10.8	$ 11.3	$ 0.5	4.6%	14.4%
Travel	0.3	0.4	0.3	0.4	0.3	(0.1)	-25.0%	-2.3%
Contractual Services & Commodities	19.4	18.8	19.6	23.8	22.0	(1.8)	-7.6%	13.2%
Utilities	0.9	0.9	1.0	0.8	1.0	0.2	25.0%	15.5%
Scholarships and Fellowships	29.8	29.8	73.7	76.5	33.4	(43.1)	-56.3%	12.2%
Depreciation	0.3	0.3	0.3	0.3	0.3	-	0.0%	12.3%
Interest on Capital Assets	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Other	7.7	5.6	8.0	4.7	1.2	(3.5)	-74.5%	-84.4%
Total Expenses	**$ 68.2**	**$ 65.7**	**$ 113.3**	**$ 117.3**	**$ 69.5**	**$ (47.8)**	**-40.8%**	**1.9%**
Selected Data								
Debt	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Bonded Debt & Notes Payable	$ -	$ -	$ -	$ -	$ -	$ -	#DIV/0!	#DIV/0!
Capital Leases	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Debt	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**#DIV/0!**	**#DIV/0!**
Investments	**$ 21.3**	**$ 23.9**	**$ 33.4**	**$ 32.9**	**$ 37.9**	**$ 5.0**	**15.2%**	**77.9%**
Investment Income	**$ 0.6**	**$ 0.8**	**$ 0.3**	**$ 1.9**	**$ 2.3**	**$ 0.4**	**21.1%**	**283.3%**

Notes:
1. Numbers may not total due to rounding
2. 2004-2008 Numbers from Audited Financial Statements

Appendix 2: Institutional Highlights
Table 20

Mississippi State Institutions of Higher Learning - Executive Office

Financial Highlights - Education and General

(in millions)

Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Tuition (gross)	$ -	$ -	$ -	$ -	$ -	$ -	#DIV/0!	#DIV/0!
State Appropriations - Core Operations	7.7	7.5	7.3	7.8	9.2	1.4	17.95%	19.6%
Other	3.6	2.8	3.7	3.1	3.5	0.4	12.90%	-3.3%
Total Revenue	**$ 11.3**	**$ 10.3**	**$ 11.0**	**$ 10.9**	**$ 12.7**	**$ 1.8**	**16.51%**	**12.3%**
2004 constant dollars	**$ 10.7**	**$ 9.5**	**$ 9.8**	**$ 9.5**	**$ 10.8**	**$ 1.3**	**13.61%**	**0.5%**

Higher Education Cost Adjustment (HECA)	**FY 2008 = 2.94% increase**	**FY 2004 - FY 2008 = 17.91% increase**

Expenses - by Function	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Instruction	$ -	$ -	$ -	$ -	$ -	$ -	#DIV/0!	#DIV/0!
Research	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Public Service	0.9	1.1	1.2	1.0	1.0	-	0.0%	7.2%
Academic Support	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Student Services	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Institutional Support	7.7	7.4	7.8	8.5	9.3	0.8	9.4%	20.1%
Operation & Maintenance	1.5	1.7	1.6	1.4	1.6	0.2	14.3%	3.7%
Scholarships & Fellowships	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Hospital Expenses	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Other & Mandatory Transfers	-	-	0.2	0.0	0.1	$ 0.1	4900.0%	#DIV/0!
Total Expenses	**$ 10.2**	**$ 10.2**	**$ 10.8**	**$ 10.9**	**$ 12.0**	**$ 1.1**	**10.07%**	**17.4%**
2004 constant dollars	**$ 9.7**	**$ 9.4**	**$ 9.6**	**$ 9.5**	**$ 10.2**	**$ 0.7**	**7.32%**	**5.1%**

Key Financial Indicators (Formulas in Glossary)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Current Ratio (measures liquidity)	0.86	9.00	11.00	3.50	2.29	(1.21)	-34.6%	166.3%
Net Operating Ratio (measures financial performance)	0.10	0.01	0.02	0.01	0.06	0.05	500.0%	-40.00%
Viability Ratio (measures relative liquidity)	178.57	290.00	320.00	1333.30	N/a	#VALUE!	#VALUE!	#VALUE!
Primary Reserve Ratio (measures financial strength)	0.01	0.02	0.05	0.05	0.11	0.06	120.0%	1000.0%
Debt Burden Ratio (measures dependence on debt)	-	-	-	-	-	-	#DIV/0!	#DIV/0!

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2007 to 2008 $ Change	2007 to 2008 % Change	2004 to 2008 % Change
Land	$ -	$ -	$ -	$ -	$ -	0.0	#DIV/0!	#DIV/0!
Construction in Progress	-	-	-	-	-	0.0	#DIV/0!	#DIV/0!
Buildings	5.5	5.3	5.1	5.3	5.0	(0.3)	-5.7%	-9.4%
Improvements other than Buildings	0.2	0.2	0.2	0.2	0.2	0.0	0.0%	8.6%
Equipment	0.3	0.2	0.2	0.3	0.2	(0.1)	-33.3%	-35.7%
Library Books	-	-	-	-	-	0.0	#DIV/0!	#DIV/0!
Livestock	-	-	-	-	-	0.0	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 6.0**	**$ 5.7**	**$ 5.5**	**$ 5.8**	**$ 5.4**	**$ (0.4)**	**-6.9%**	**-10.2%**
Historical Cost	**$ 11.8**	**$ 11.6**	**$ 11.6**	**$ 12.1**	**$ 12.0**	**$ (0.1)**	**-0.8%**	**1.9%**

Notes:
1. Numbers may not total due to rounding
2. Information compiled from Institutional Fund Statements
3. Expenses do not include Non-Mandatory Transfers
4. Not in millions

Formulas
for
Ratios

Formulas for Ratios

Current Fund Ratio

E&G Assets - Internal Receivables
divided by
E&G Liabilities - Internal Payables + Accumulated Leave

Net Operating Ratio

E&G Revenues - E&G Expenses & E&G Mandatory Transfers
divided by
E&G Revenues

Viability Ratio

Unrestricted Net Assets
divided by
Outstanding Long Term Debt

Primary Reserve Ratio

E&G Fund Net Assets
divided by
E&G Expenses & E&G Mandatory Transfers

Debt Burden Ratio

Principal + Interest Expense + Trustees' Fees
divided by
(Current Fund Expenses + Mandatory Transfers) - (Restricted Fund Expenses + Mandatory Transfers)

Debt Coverage Ratio

Net Operating Income (Loss) + State Appropriations + Non-Operating Gifts and Grants + Depreciation Expense + Interest Expense
divided by
Annual Debt Service Payments (Principle and Interest)

Student Tuition Receivable Adjusted for Allowance

Student Tuition Accounts Receivable - Allowance for Doubtful Accounts
divided by
Net Tuition and Fees

Change in Allowance for Doubtful Accounts including Medical Center

Change in Allowance for Doubtful Accounts
divided by
Prior Year's Tuition + Prior Year's Patient Fees

Glossary of Financial Terms

GLOSSARY of FINANCIAL TERMS

ACCOUNTS PAYABLE - bills a business owes to suppliers.

ACCOUNTS RECEIVABLE - amounts owed to a company by its customers.

ACCRUED EXPENSES - expenses incurred during an accounting period for which payment is postponed.

AGENCY FUNDS – funds held by the institution as custodian or agent for others.

ALLOWANCE FOR DOUBTFUL ACCOUNTS - an account established to record a subtraction from ACCOUNTS RECEIVABLE, to allow for those accounts that will not be paid.

ASSET - tangible and intangible personal and real property such as cash, investments, inventory, accounts receivable, loans receivable, prepaid expenses, equipment, buildings, land, improvements to land other than buildings.

AUXILIARY ENTERPRISES - entities created primarily to provide goods and services to students, faculty and staff that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary is that they are managed as essentially self-supporting activities. Examples include Housing, Bookstore, and Parking.

AUXILIARY FUND – account for the sales, services and expenditures of auxiliary enterprises.

CAPITAL ASSET - long-term asset that is not purchased or sold in the normal course of business. Generally includes fixed assets, e.g., land, buildings, furniture, equipment, fixtures, furniture and in some cases, livestock.

CHANGE IN FUND BALANCE - the difference between revenues and expenses. (See Change in Net Assets)

CHANGE IN NET ASSETS - the difference between revenues and expenses. (See Change in Fund Balance)

CONTRACT - an agreement between two or more entities which creates an obligation to do (or not do) a particular thing one is otherwise entitled to do (or not do).

COMPENSATED ABSENCES - accrued annual leave and sick leave vested with the employee and expected to be paid out. The compensated absence expense and liability must be accrued and reported in our financial statements.

CURRENT ASSETS - assets that are reasonably expected to be realized in cash, or sold, or consumed during the normal operating cycle of the business (usually one year). Such assets include cash, accounts receivable and money due usually within one year, short-term investments, US government bonds, inventories, and prepaid expenses.

CURRENT RATIO - a comparison of current assets to current liabilities that is a commonly used measure of short-run solvency, i.e., the immediate ability of a firm to pay its current debts as they come due. Potential creditors use this ratio to measure a company's liquidity or ability to pay off short-term debts.

DEBT - an amount owed from external borrowings – revenue bonds, certificates of participation, mortgages.

DEFERRED REVENUE - revenue or income for which the cash has been collected, but has not yet been "earned."

DEPRECIATION - the amount of expense charged against earnings to write off the cost of a plant or machine over its useful live, giving consideration to wear and tear, obsolescence, and salvage value.

DESIGNATED FUNDS - Consists of unrestricted resources which have been internally allocated by the management of the institution.

ENDOWMENT - a permanent fund where gifts to the fund are held in perpetuity and where earnings are used in accordance with the donor's specified wishes.

ENDOWMENT FUNDS – consist of true endowment, term endowments and quasi-endowments. These include only the funds held by the institution. Endowment funds donated to private foundations are recorded on the financial statements of those corporations.

EXPENDITURE - a cost incurred in the normal course of business to generate revenues. (See Expenses)

EXPENSES - the amount of assets or services used during a period.

FEDERAL APPROPRIATION – appropriations received from the United States.

FISCAL YEAR - the declared accounting year, but it is not necessarily in conformance to a calendar year (January through December). However, it does cover twelve months, 52 weeks, 365 days. For example, the Institutions of Higher Learning's fiscal year ends June 30, i.e. July 1 through June 30 is their fiscal or accounting year.

FIXED ASSETS - assets of a permanent nature required for the normal conduct of a business, and which will not normally be converted into cash during the ensuring fiscal period. For example, furniture, fixtures, land, and buildings are all fixed assets. However, accounts receivable and inventory are not.

FUND - identifies the source of the money being received and spent. There are general funds, auxiliary funds, restricted funds, designated funds, loan funds, endowment funds, agency funds, plant funds, renewal and replacement funds, and retirement of indebtedness funds.

FUND ACCOUNTING - a method of accounting and presentation whereby assets and liabilities are grouped according to the purpose for which they are to be used. Generally used by government entities and not-for-profits.

INSTRUCTION – category includes expenditures for all activities that are part of an institution's instruction program.

LIABILITY - an obligation measurable in monetary terms that represent amounts owed to creditors, governments, employees, and other parties.

LIQUIDITY - an entity's ability to meet current obligations with cash or other assets that can be quickly converted to cash.

LOAN FUNDS – used to account for resources which may be lent to students, faculty or staff. These funds may be provided by different sources including governmental appropriations, individual or corporate donations, interest earned on outstanding loans, and unrestricted funds.

MANDATORY TRANSFERS - transfers from the current (operating) fund group to other fund groups arising out of binding legal agreements related to the financing, e.g., in education: debt retirement, interest, and grant agreements with federal agencies and other organizations to match gifts and grants. Whereas non-mandatory transfers would be transfers from the current (operating) fund group to other fund groups made at the discretion of management to serve various objectives, e.g., additions to loan funds, endowment funds, plant additions, and voluntary renewal and replacement of plant.

NON-CURRENT ASSETS - includes PPE (property, plant, and equipment) as opposed to current assets which includes cash, cash equivalents (e.g. securities, short-term notes, etc.), inventory and accounts receivable.

NON-CURRENT LIABILITIES - liabilities due after one year.

PLANT FUNDS – account for the unexpended funds to acquire fixed assets, funds set aside to provide for the expansion, renovation, or construction of fixed assets, and the related servicing of any associated debt. It also accounts for long-lived assets and construction in progress.

RESTRICTED ASSETS - assets / resources which are restricted by legal or contractual requirements for use under specific circumstances or purposes.

RESTRICTED FUND – consists of resources available for carrying out the institution's primary purpose but which have externally imposed limitations and restrictions placed on their use. Under this category, commonly found resources are sponsored research, federal financial aid, and corporate and individual scholarships.

RESTRICTED NET ASSETS-EXPENDABLE - assets that exist for a particular purpose restricted by an external party. They could consist of assets that legally could be used for operations or plant expenditures depending on their purpose.

RESTRICTED NET ASSETS-NON-EXPENDABLE - consists of assets that cannot be spent for operations and must be held in perpetuity. (See Endowment)

REVENUE - the inflows of assets from selling goods and providing services to customers.

STATE APPROPRIATIONS - revenue allocated to the Universities by the State of Mississippi.

SURPLUS - any excess amount.

SYSTEM - (for the purpose of this report) includes the eight institutions, the medical center and the executive office.

TUITION and FEES – includes all tuition and fees as well as remissions and waivers, net of refunds, which are used for unrestricted operations.

UNRESTRICTED ASSETS - assets / resources which are not restricted for use by legal or contractual requirements and may be used for any purpose.

UNRESTRICTED GENERAL FUNDS – accounts for the majority of an institution's day to day operations. Major sources of funds are appropriations, tuition and fees, unrestricted grants and contracts, unrestricted endowment income, sales and services of educational activities, and investment income.