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
2003 - 2007

Education and General
Funds
Fiscal Years
2003- 2007

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of
State Institutions of Higher Learning

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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 2 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.

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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, 2007, the total assets of the eight universities, UMMC, and the executive office were a little more than $3.5 billion, compared to $3.2 billion on June 30, 2006, an increase of $306.6 million (see Table 1). The most significant increases were Capital Assets ($208.4 million) and Investments ($18.9 million).

Liabilities increased to $936.1 million as of June 30, 2007, from $863.9 million on June 30, 2006, an increase of $72.2 million. The major increases were Debt ($57.5 million) and Accounts Payables and Accrued Liabilities ($26.8 million). Debt, at 64 percent, is the largest component 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 system Net Assets were equal to $2.6 billion on June 30, 2007, and $2.3 billion on June 30, 2006. The $234.4 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 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 2007, the system generated revenue of nearly $2.7 billion from all sources and all funds. General and Capital State Appropriations (29 percent) and Contracts and Grants (29 percent) made up the largest categories of revenue for the system. Tuition revenue was 11 percent. Details are provided within the report.

The system expended just under $2.5 billion in Fiscal Year 2007. 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 51 percent ($1.3 billion) of all dollars spent were on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 29 percent of the dollars expended ($710.2 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 2007 – Student Tuition (41 percent) and State Appropriations (52 percent). These two funding sources support the general operations of the campuses. From Fiscal Year 2003 to Fiscal Year 2007, tuition revenue increased $73.9 million as a result of enrollment *and* tuition increases. State appropriations for general operations increased dramatically in Fiscal Year 2007 ($46.1 million or 11.3 percent). This was the first significant increase the IHL institutions received in many years.

During Fiscal Year 2007, approximately 40 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction increased $26.5 million in Fiscal Year 2007, and overall have increased $78.0 million since Fiscal Year 2003 (30 percent). Since 2003 the eight institutions (UMMC excluded), increased their combined three core expenditure functions (Instruction, Research and Public Service) by $80.8 million, or 22 percent. Another area where the institutions have significantly increased their spending has been in area of general Operations and Maintenance. Since Fiscal Year 2003, the institutions have increased these costs by $25.2 million (38 percent). Of course, major utility hikes over that time frame has 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 2.93 on June 30, 2006, and 3.27 on June 30, 2007. The change means that assets proportionally grew faster than liabilities. Specifically, the current ratio of 3.27 implies that the institutions had assets to cover 327 percent of their current liabilities. The rule of thumb (non-industry specific) for this ratio is 2:1.

The <u>Net Operating Ratio</u> measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .03 on June 30, 2006, and .05 on June 30, 2007. The ratios indicate that the system ended each year with a surplus. Virtually all institutions ended each year with positive ratios for the three years reviewed. The rule of thumb (non-industry specific) for this ratio is between .02 and .04.

The <u>Viability Ratio</u> 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, 2006, was .83, and for June 30, 2007, it was .80. The declining trend indicates the system's liquidity position weakened slightly during Fiscal Year 2007. There is no established rule of thumb for this indicator, but a negative trend indicates that Unrestricted Net Assets are growing slower than debt. A low ratio may impair the ability of the institution to attract capital from outside sources.

The <u>Primary Reserve Ratio</u> 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 .08 on June 30, 2006, and .09 on June 30, 2007. The slight increase reversed a three year trend of annual declines. 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 rate as expenses. A ratio of .09 means an institution could operate for a little more than one month by relying on available 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 of 7 percent (or a ratio of .07), meaning that current principal and interest expenses should not be greater than 7 percent of operating expenses. The system's ratio increased to 4 percent (a ratio of .04) in Fiscal Year 2007. Prior to 2007, the System had recorded ratios of .03 every year since Fiscal Year 2003. Presently, all institutions are at or under the 7 percent threshold.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern with regard to the institution's ability to sustain operations. On June 30, 2007, the IHL system reported a ratio of 2.97. This ratio was equal to 2.93 on June 30, 2006.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting student tuition payments. A high ratio means the institution is not collecting student tuition receivables in a timely manner. For Fiscal Year 2007, the percentages range from 5.7 percent at UM to 79.4 percent at ASU with an average for the system of 19.3 percent. The higher percentages are, more often than not, a result of old outstanding student account receivables. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) was considered, the percentages changed dramatically for some institutions. This ratio should continue to be monitored.

Another 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. The relationship remained unchanged in Fiscal Year 2007 (0.3 percent). A third 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								
Assets	**June 30, 2003**	**June 30, 2004**	**June 30, 2005**	**June 30, 2006**	**June 30, 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Current Assets	$ 581.2	$ 563.4	$ 638.8	$ 656.8	$ 682.2	$ 25.4	3.9%	17.4%
Capital Assets	$ 1,565.4	$ 1,697.6	1,795.7	1,956.2	2,164.6	208.4	10.7%	38.3%
Other Non-Current Assets	$ 483.0	$ 572.1	556.2	594.1	666.9	72.8	12.3%	38.1%
TOTAL ASSETS	**$ 2,629.6**	**$ 2,833.0**	**$ 2,990.7**	**$ 3,207.1**	**$ 3,513.7**	**$ 306.6**	**9.6%**	**33.6%**
Liabilities and Net Assets	**June 30, 2003**	**June 30, 2004**	**June 30, 2005**	**June 30, 2006**	**June 30, 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Current Liabilities	$ 182.9	$ 180.6	$ 185.2	$ 212.7	$ 217.3	$ 4.6	2.2%	18.8%
Non-Current Liabilities	$ 436.0	$ 500.6	572.2	651.2	718.8	67.6	10.4%	64.9%
Net Assets	$ 2,010.7	$ 2,151.9	2,233.3	2,343.2	2,577.6	234.4	10.0%	28.2%
TOTAL LIABILITIES AND NET ASSETS	**$ 2,629.6**	**$ 2,833.0**	**$ 2,990.7**	**$ 3,207.1**	**$ 3,513.7**	**$ 306.6**	**9.6%**	**33.6%**
Revenues and Expenses								
Revenues	**Fiscal Year 2003**	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Tuition (net of scholarship allowance of $70.3 m, $79.2m, $77.1 m, $101.1 m & $102.8 m respectively)	$ 249.5	$ 251.2	$ 280.7	$ 276.6	$ 301.4	$ 24.8	9.0%	20.8%
State Appropriations - Operations & Capital	$ 633.0	$ 647.8	658.5	651.7	772.4	120.7	18.5%	22.0%
Grants and Contracts	$ 531.0	$ 559.9	612.2	711.1	774.3	63.2	8.9%	45.8%
Auxiliary Enterprises - Net	$ 150.3	$ 150.9	128.2	138.4	148.9	10.5	7.6%	-1.0%
Patient Fees	$ 386.5	$ 390.6	388.4	435.3	454.1	18.8	4.3%	17.5%
Other	$ 153.9	$ 149.3	125.6	162.3	209.9	47.6	29.3%	36.4%
TOTAL REVENUES	**$ 2,104.3**	**$ 2,149.7**	**$ 2,193.6**	**$ 2,375.4**	**$ 2,661.0**	**$ 285.6**	**12.0%**	**26.5%**
Expenses	**Fiscal Year 2003**	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Salaries, Wages, and Fringe Benefits	$ 1,051.5	$ 1,092.4	$ 1,150.4	$ 1,167.1	$ 1,279.4	$ 112.3	9.6%	21.7%
Travel	$ 32.9	$ 34.6	35.9	38.4	43.1	4.7	12.2%	30.9%
Contractual Services & Commodities	$ 572.9	$ 598.8	607.9	637.2	710.2	73.0	11.5%	24.0%
Utilities	$ 45.6	$ 49.3	54.0	74.6	63.1	(11.5)	-15.4%	38.4%
Scholarships and Fellowships	$ 113.8	$ 109.3	121.4	178.2	188.7	10.5	5.9%	65.8%
Depreciation	$ 76.3	$ 76.3	80.3	86.3	92.2	5.9	6.8%	20.8%
Interest on Capital Assets	$ 15.7	$ 15.4	18.7	18.0	23.2	5.2	28.9%	47.5%
Other	$ 60.5	$ 55.8	50.3	37.2	54.1	16.9	45.4%	-10.6%
TOTAL EXPENSES	**$ 1,969.4**	**$ 2,031.8**	**$ 2,118.9**	**$ 2,237.0**	**$ 2,454.0**	**$ 217.0**	**9.7%**	**24.6%**
Selected Data								
Debt	**Fiscal Year 2003**	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Bonded Debt & Notes Payable	$ 312.5	$ 363.9	$ 443.6	$ 517.7	$ 568.9	$ 51.2	9.9%	82.0%
Capital Leases	$ 22.9	$ 23.6	18.1	21.0	27.3	6.3	30.0%	19.2%
TOTAL DEBT	**$ 335.4**	**$ 387.5**	**$ 461.7**	**$ 538.7**	**$ 596.2**	**$ 57.5**	**10.7%**	**77.8%**
INVESTMENTS	**$ 388.8**	**$ 484.1**	**$ 592.0**	**$ 571.8**	**$ 590.7**	**$ 18.9**	**3.3%**	**51.9%**
INVESTMENT INCOME	**$ 16.5**	**$ 20.0**	**$ 24.0**	**$ 26.6**	**$ 56.5**	**$ 29.9**	**112.4%**	**242.4%**

NOTES:
1. Numbers may not total due to rounding
2. 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 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 286.6	$ 295.6	$ 319.2	$ 334.0	$ 360.5	$ 26.5	7.93%	25.8%
State Appropriations	392.0	405.5	410.2	409.6	455.7	46.1	11.25%	16.3%
Other	52.0	52.4	56.7	56.3	65.5	9.2	16.34%	26.0%
Total Revenue	**$ 730.6**	**$ 753.6**	**$ 786.1**	**$ 799.9**	**$ 881.7**	**$ 81.8**	**10.23%**	**20.7%**
2003 constant dollars	**$ 708.5**	**$ 705.2**	**$ 714.4**	**$ 705.6**	**$ 754.0**	**$ 48.4**	**6.86%**	**6.4%**
2003 constant dollars per FTE[4]	**$ 12,049**	**$ 11,895**	**$ 11,845**	**$ 11,660**	**$ 12,415**	**$ 755**	**6.48%**	**3.0%**
Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 259.8	$ 286.4	$ 303.1	$ 311.3	$ 337.8	$ 26.5	8.51%	30.0%
Research	59.9	53.3	52.4	53.6	59.3	5.7	10.6%	-1.0%
Public Service	48.9	50.8	50.2	48.3	52.3	4.0	8.3%	7.0%
Academic Support	67.7	67.9	69.1	77.6	80.2	2.6	3.4%	18.5%
Student Services	41.9	44.0	45.2	49.1	54.1	5.0	10.2%	29.1%
Institutional Support	76.7	78.3	84.8	83.2	94.2	11.0	13.2%	22.8%
Operation & Maintenance	67.4	71.4	81.0	91.4	92.6	1.2	1.3%	37.4%
Scholarships & Fellowships	46.0	48.2	52.5	50.6	59.8	9.2	18.2%	30.0%
Other & Mandatory Transfers	15.8	15.1	18.2	14.3	11.8	(2.5)	-17.5%	-25.3%
Total Expenses	**$ 684.1**	**$ 715.4**	**$ 756.5**	**$ 779.4**	**$ 842.1**	**$ 62.7**	**8.0%**	**23.1%**
2002 constant dollars	**$ 684.1**	**$ 693.7**	**$ 708.0**	**$ 708.4**	**$ 742.8**	**$ 34.4**	**4.86%**	**8.6%**
2002 constant dollars per FTE[4]	**$ 11,452**	**$ 11,798**	**$ 11,942**	**$ 11,744**	**$ 12,275**	**$ 531**	**4.52%**	**7.2%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	2.92	2.80	3.08	2.93	3.27	0.34	11.6%	12.0%
Net Operating Ratio (measures financial performance)	0.06	0.05	0.04	0.03	0.05	0.02	66.7%	-18.0%
Viability Ratio (measures relative liquidity)	1.24	1.38	1.03	0.83	0.80	(0.03)	-3.6%	-35.7%
Primary Reserve Ratio (measures financial strength)	0.11	0.10	0.09	0.08	0.09	0.01	12.5%	-16.4%
Debt Burden Ratio (measures dependence on debt)	0.03	0.03	0.03	0.03	0.04	0.01	58.5%	41.7%
Debt Coverage Ratio (measures excess income to cover debt)	4.78	3.91	2.83	2.93	2.97	0.04	1.4%	-37.9%
Student Tuition Receivables to Net Tuition & Fees	16.5%	17.6%	17.5%	18.5%	19.3%	0.8%	4.2%	16.9%
Student Tuition Receivables to Net Tuition & Fees after allowance	7.3%	7.3%	7.7%	8.3%	9.6%	1.3%	16.1%	31.6%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	0.007	0.6%	0.6%	0.3%	0.3%	0.0%	0.0%	-57.1%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Prior Year's Patient Fees	0.188	38.3%	39.2%	36.9%	20.1%	-16.8%	-45.5%	6.9%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 41.6	$ 43.9	$ 45.4	$ 49.0	$ 51.5	$ 2.5	5.1%	23.7%
Construction in Progress	$ 268.8	$ 261.8	$ 341.8	$ 297.3	$ 375.0	77.70	26.1%	39.5%
Buildings	$ 988.5	$ 1,089.0	$ 1,150.6	$ 1,257.8	$ 1,369.9	112.10	8.9%	38.6%
Improvements other than Buildings	$ 101.9	$ 110.8	$ 114.0	$ 120.7	$ 133.0	12.30	10.2%	30.6%
Equipment	$ 122.5	$ 158.8	$ 162.3	$ 166.8	$ 168.0	1.20	0.7%	37.2%
Library Books	$ 60.4	$ 61.5	$ 62.0	$ 62.8	$ 65.6	2.80	4.5%	8.7%
Livestock	$ 1.9	$ 1.7	$ 1.7	$ 1.6	$ 1.7	0.10	6.3%	-10.7%
Total Capital Assets	**$ 1,585.5**	**$ 1,727.5**	**$ 1,877.8**	**$ 1,956.0**	**$ 2,164.7**	**$ 208.7**	**10.7%**	**36.5%**
Historical Cost	**$ 2,404.4**	**$ 2,562.9**	**$ 2,700.4**	**$ 2,952.7**	**$ 3,239.6**	**$ 286.9**	**9.7%**	**34.7%**

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.

Significant reporting changes were put in place in Fiscal Year 2002 by the Governmental Accounting Standards Board (GASB), which affects the way financial information is reported and affects comparability of trend data. This report presents a five-years of comparison data reported under the new standards, as well as a five-year data comparison of educational and general data.

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.

Beginning in Fiscal Year 2002, some important changes were made in the way universities report their financial data for financial statement purposes. One example of the change in financial reporting is *all* revenues and expenses are presented in a single column rather than in the traditional fund format of segregation by funds. Under the updated reporting format, state appropriations are not considered operating revenue. This causes institutions to appear to have an operating loss because state appropriations, a major income source, is shown as non-operating revenue.

This report, along with the accompanying highlights, consists of data compiled from unaudited financial statements for Fiscal Year 2007, audited statements for Fiscal Years 2003 through 2006, 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, 2007. The E&G data contain the separately budgeted units as well. The ratio information includes ratios at the end of June for Fiscal Years 2003, 2004, 2005, 2006 and 2007. 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, 2006 and 2007.

Table 1: Condensed Statement of Net Assets – System Totals

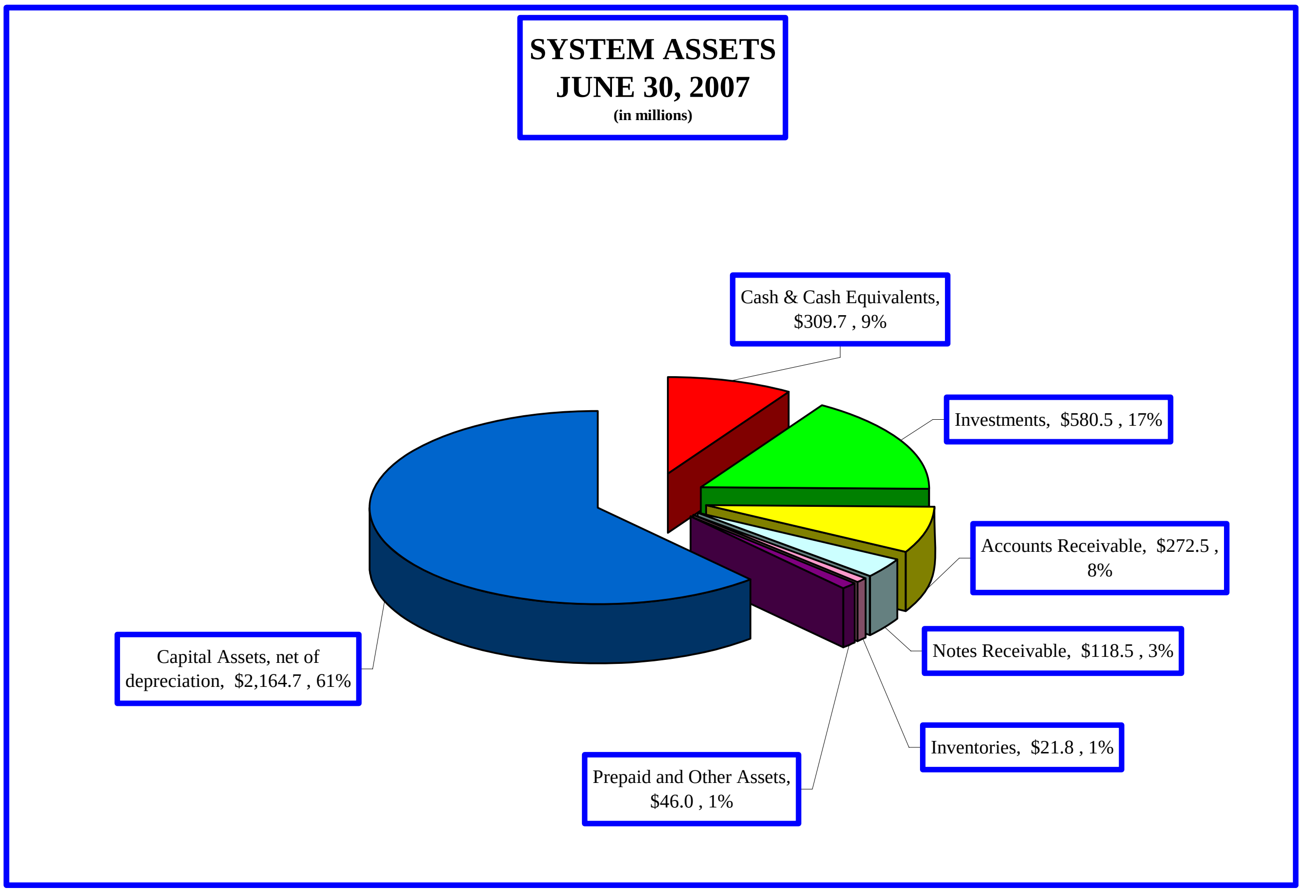
Statement of Net Assets - System Totals (in millions)				
Assets	**6/30/2006**	**6/30/2007**	**Dollar Change**	**Percent Change**
Current Assets	$ 656.8	$ 682.2	$ 25.4	3.9%
Capital Assets	1,956.2	2,164.6	208.4	10.7%
Other Non-Current Assets	594.1	666.9	72.8	12.3%
Total Assets	**$ 3,207.1**	**$ 3,513.7**	**$ 306.6**	**9.6%**
Liabilities and Net Assets	**6/30/2006**	**6/30/2007**	**Dollar Change**	**Percent Change**
Liabilities				
Current Liabilities	$ 212.7	$ 217.3	$ 4.6	2.2%
Non-Current Liabilities	651.2	718.8	67.6	10.4%
Total Liabilities	**$ 863.9**	**$ 936.1**	**$ 72.2**	**8.4%**
Net Assets	2,343.2	2,577.6	234.4	10.0%
Total Liabilities and Net Assets	**$ 3,207.1**	**$ 3,513.7**	**$ 306.6**	**9.6%**

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, 2007, the system had in total over $3.5 billion in assets as compared to $3.2 billion on June 30, 2006, an increase of approximately $306.6 million. Although not detailed in the table, some of the most significant increases in assets were in capital assets ($208.4 million) and Investments ($18.9 million). Chart 1 depicts the total adjusted assets for the system as they existed on June 30, 2007. Assets as of the reporting date are a snapshot at that point in time.

Chart 1: System Assets – June 30, 2007

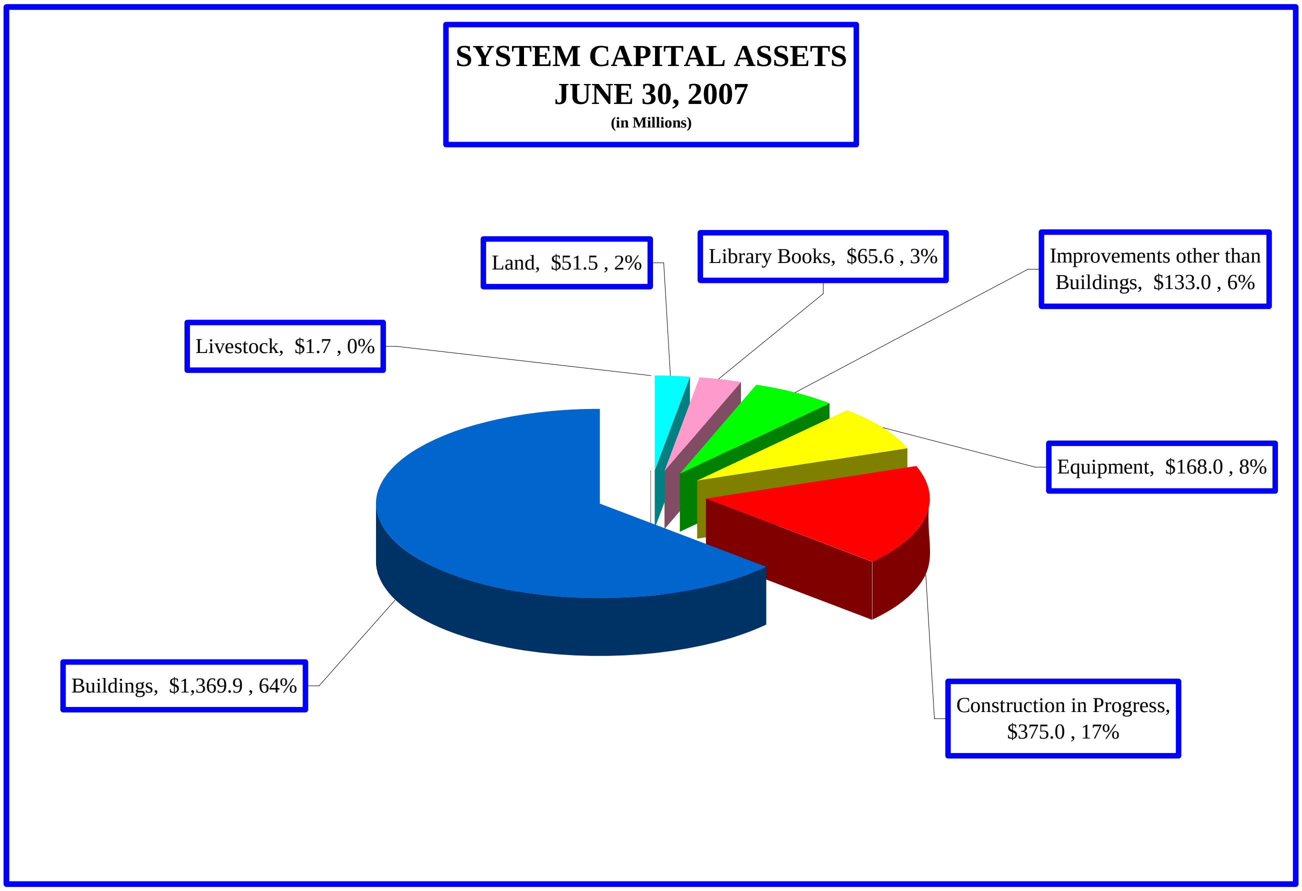


<u>Chart Total: $3,513.7 Million</u>

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

Capital assets on June 30, 2007, the largest percentage of total assets for the system, had a value of almost $2.2 billion, totaling 62 percent of the assets. Capital assets are shown net of depreciation while original cost nearly totaled $3.3 billion. Buildings make up the largest proportion of the capital assets at almost $1.4 billion (63 percent of Capital assets). The second largest component of capital assets is Construction-in-Progress at $375 million (17 percent 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, 2007.

Chart 2: System Capital Assets – June 30, 2007

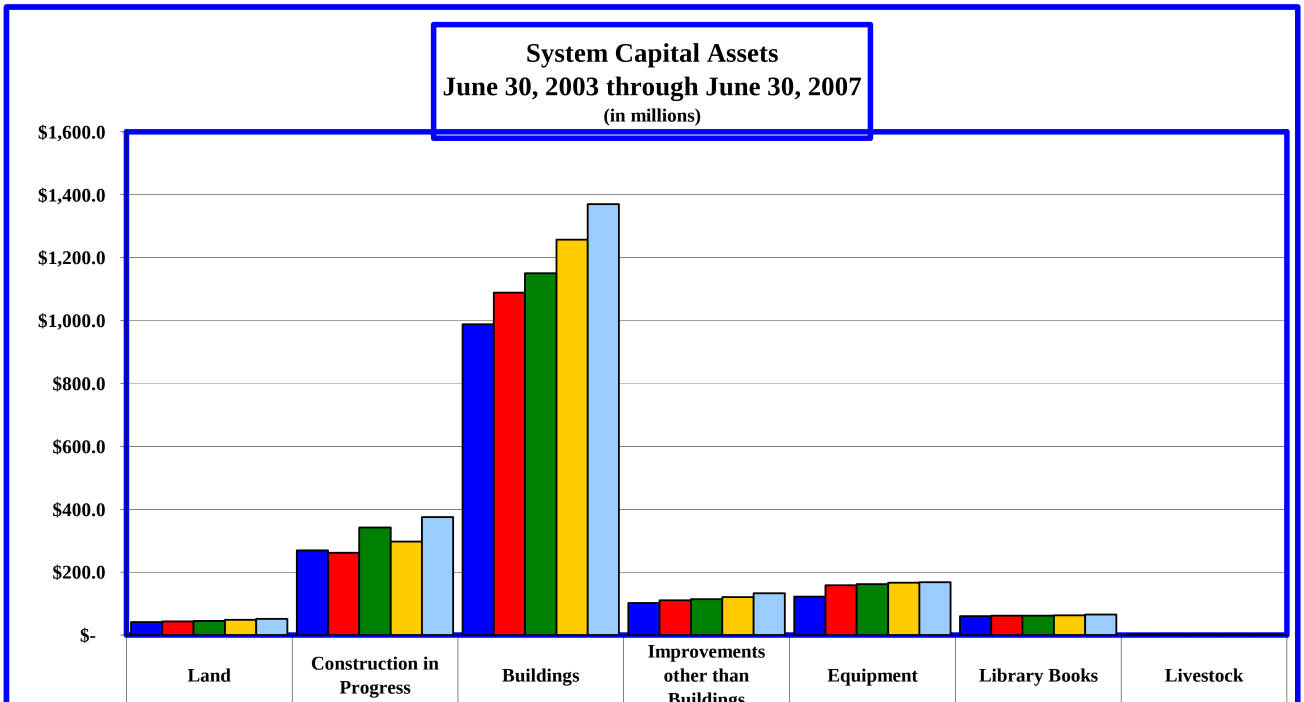


<u>Chart Total: $2,164.7 Million</u>

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 nearly $380 million in buildings since fiscal year 2003. On June 30, 2007, another $375 million was in various stages of construction. This on-going growth can be the result of new buildings or renovations to existing buildings. Approximately $46.7 million of new equipment has been purchased since Fiscal Year 2003. The book value of all capital assets was nearly $2.2 billion on June 30, 2007. Historical costs for these assets were equal to nearly $3.3 billion.

Chart 3: System Capital Assets – June 30, 2003 through June 30, 2007



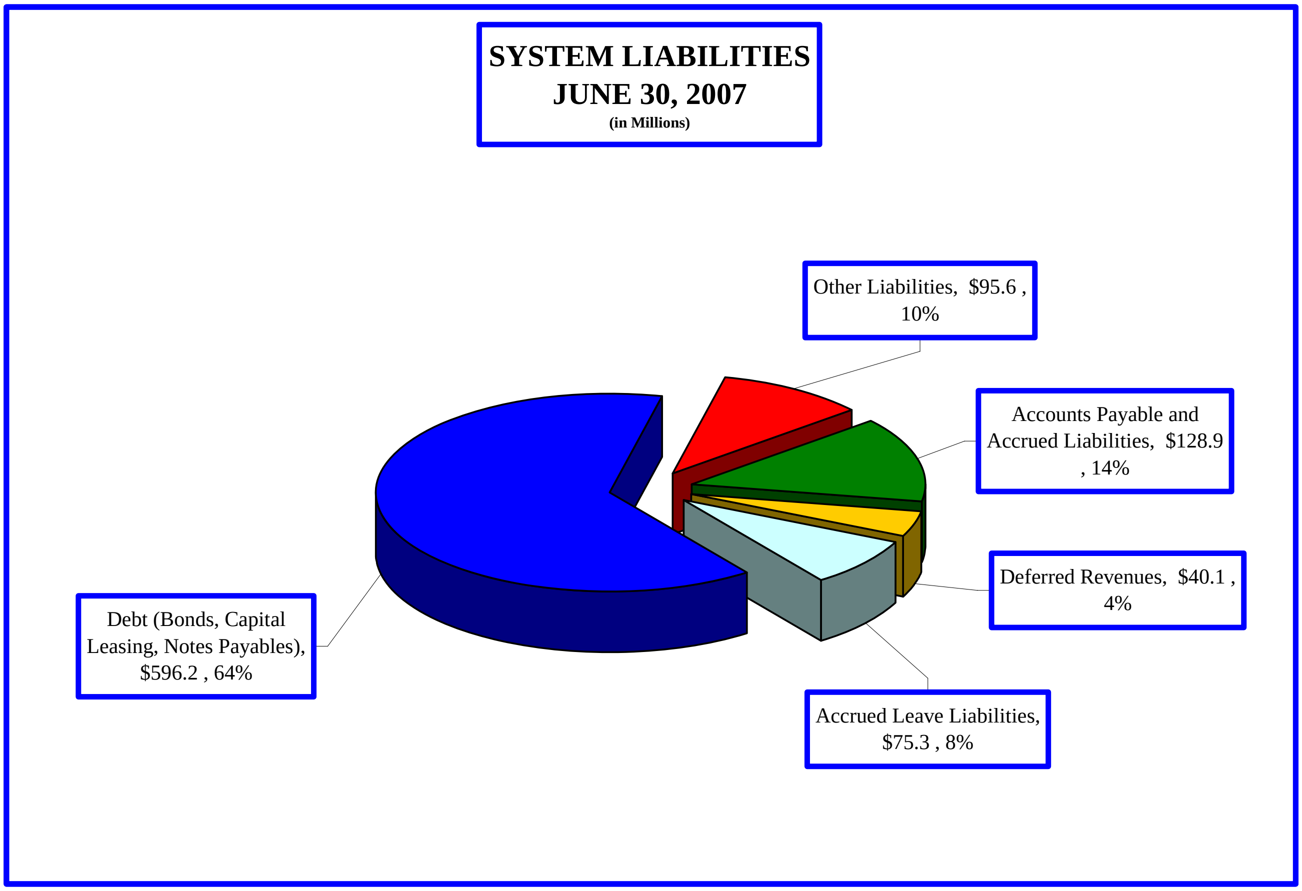
	Land	Construction in Progress	Buildings	Improvements other than Buildings	Equipment	Library Books	Livestock
FY 2003	$41.6	$268.8	$988.5	$101.9	$122.5	$60.4	$1.9
FY 2004	$43.9	$261.8	$1,089.0	$110.8	$158.8	$61.5	$1.7
FY 2005	$45.4	$341.8	$1,150.6	$114.0	$162.3	$62.0	$1.7
FY 2006	$49.0	$297.3	$1,257.8	$120.7	$166.8	$62.8	$1.6
FY 2007	$51.5	$375.0	$1,369.9	$133.0	$168.0	$65.6	$1.7

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 $936.1 million on June 30, 2007 from $863.9 million on June 30, 2006, an increase of $72.2 million. The main increases were in Debt ($57.5 million) and Accounts Payables and Accrued Liabilities ($26.8 million). No other significant changes were noted.

Chart 4: System Liabilities – June 30, 2007



<u>Chart Total: $936.1 Million</u>

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

As stated earlier, the overall capital debt of the system was increased by $57.5 million, or 10.7 percent, from June 30, 2006 to June 30, 2007. Debt, at 64 percent, is the largest component of the liabilities. Debt, in general, will be discussed in a later section of this report.

Net Asset

The difference between assets and liabilities in for-profit businesses 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 $2.6 billion of net assets in 2007, reflected in Chart 5, represent the net accumulation of the universities' assets over a period of time. Investment in Capital Assets, net of debt, (62 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 show accumulated depreciation for the first time on their balance sheets for certain real assets such as buildings and some equipment. 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 universities, most of the buildings and a significant part of the equipment is paid for by governmental appropriations or private gifts. Therefore, 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 15 percent ($377 million) of the total net assets on June 30, 2007. 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 ($106.9 million) of the system's net assets on June 30, 2007.

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 19 percent of net assets on June 30, 2007, an increase of $58.8 million from June 30, 2006, making a total of $490.5 million.

Net assets, shown in Chart 5, are an important indicator of the financial health of an institution. There was an overall increase ($234.4 million) in the net assets of the system during the year ending June 30, 2007. The largest increase was in Investment in Capital Assets ($154.4 million). Restricted-Nonexpendable increased by $12.9 million while Restricted-Expendable also increased by $8.3 million.

Chart 5: System Net Assets – June 30, 2007

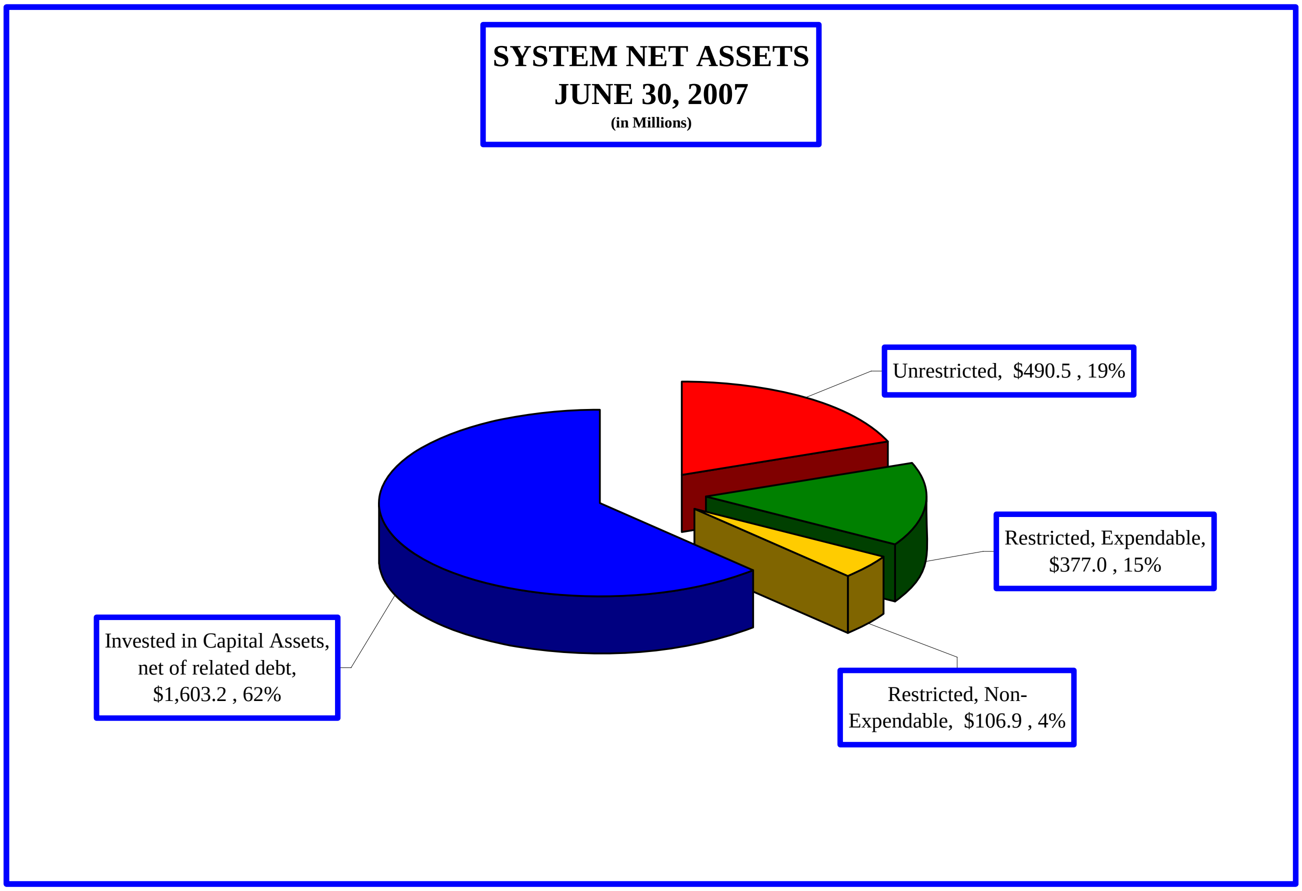


Chart Total: $2,577.6 Million

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

Total net assets were $2.34 billion on June 30, 2006 and $2.58 billion on June 30, 2007. Increases in net assets represent an increase in the system's equity. An increase occurs when revenues exceed expenses.

Public universities receive two major types of funds from the state – capital and 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 2007, the system received revenues of almost $2.7 billion (see Chart 6). The major sources of system revenues were:

- Tuition and Fees (net);
- State Appropriations – General Operations and Capital;
- Grants and Contracts;
- Auxiliary Enterprises;
- Patient Fees; and
- Other Revenues and Fees.

State Appropriations, for both general operations and capital projects, (29 percent) and Grants and Contracts (29 percent) make up the largest percentages of revenue for the system for Fiscal Year 2007. 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 up $63.2 million for Fiscal Year 2007. In combination, State Appropriations for general operations ($682.1 million) and capital improvements ($90.3 million) increased substantially ($120.7 million) during the same period.

In Fiscal Year 2007, Net Tuition and Fees made up 11 percent of total revenues, or $301.4 million. Net Tuition and Fees are shown net of scholarship allowances of $102.8 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 (17 percent), a large portion of system revenue, is limited to UMMC. Auxiliary Enterprises make up 6 percent of total revenue. Other income includes Investment Income, Additions to Permanent Endowments, and Other Additions and Revenues. Chart 6 depicts the system revenue categories by amounts and percentages for Fiscal Year 2007.

Chart 6: System Revenues - Fiscal Year 2007

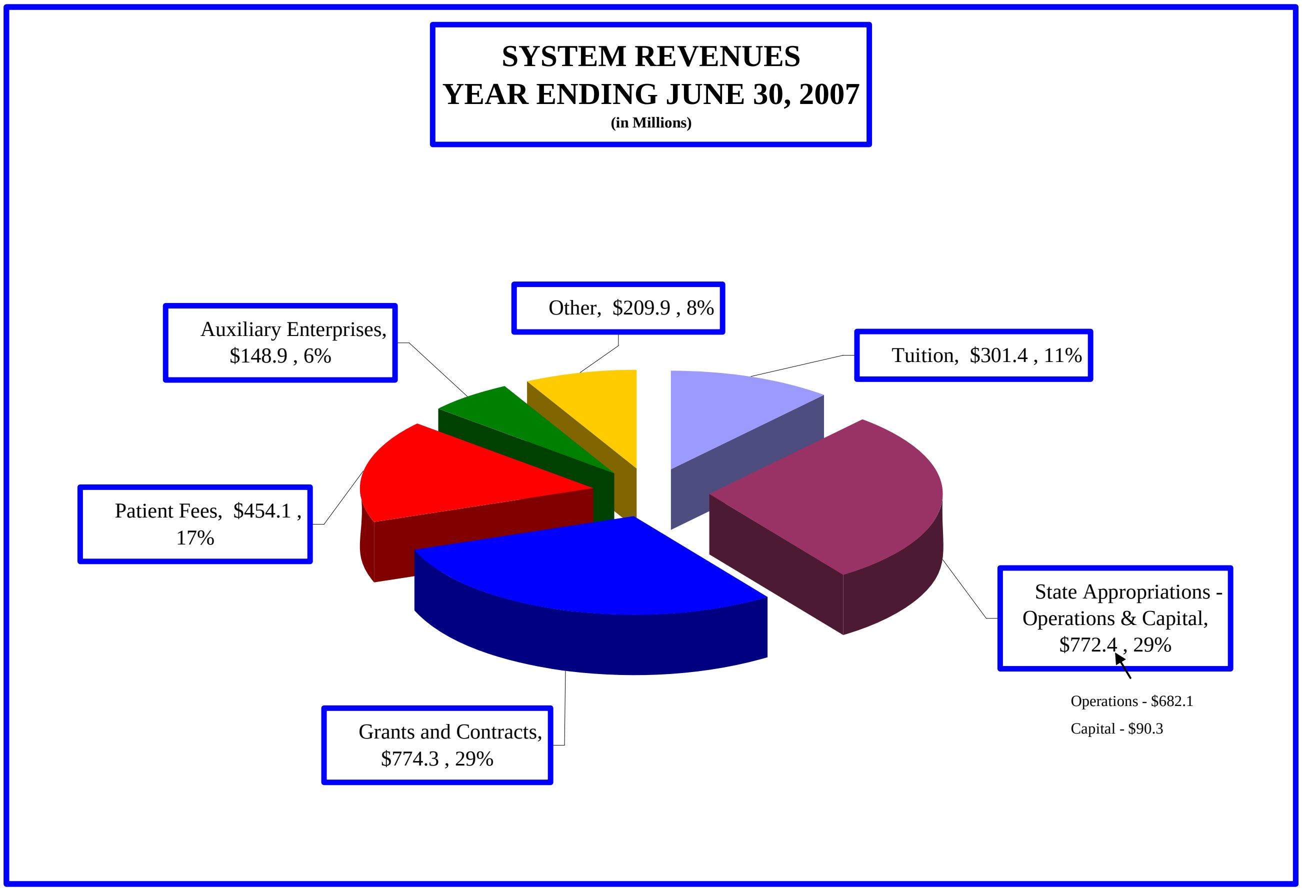
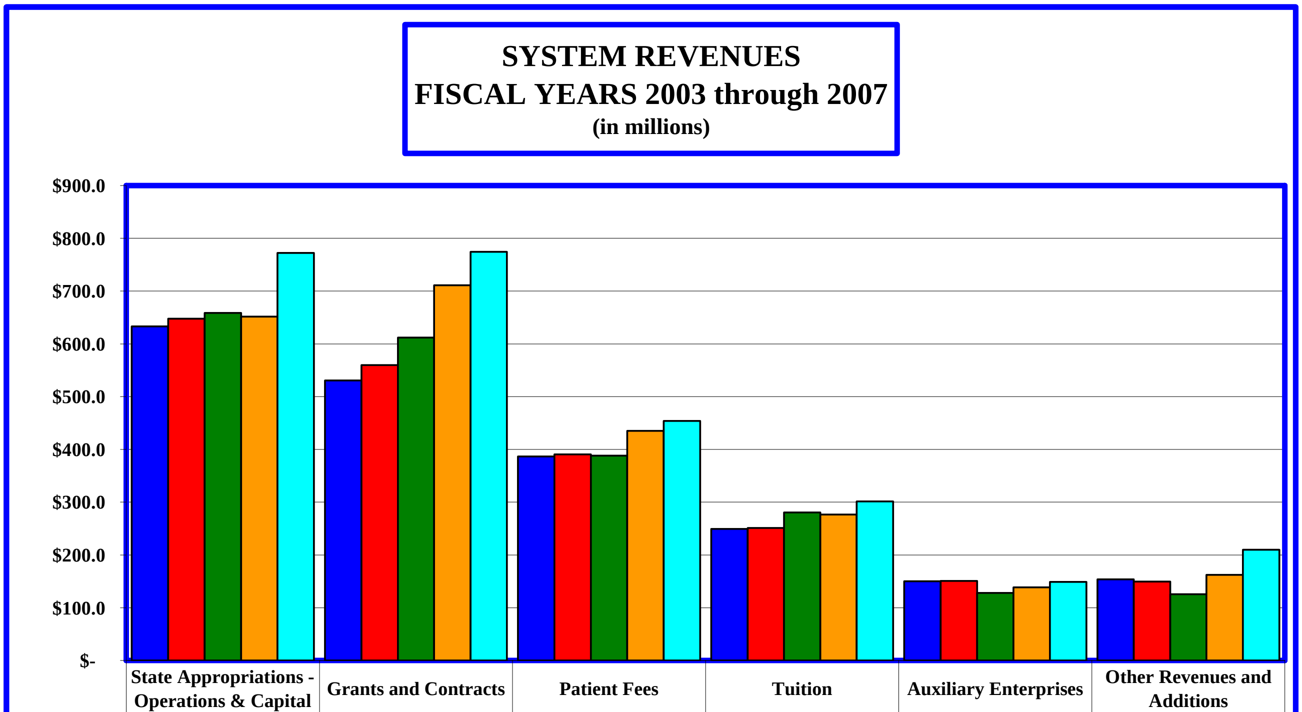


Chart Total: $2,661.0 Million

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 2003 – 2007



	State Appropriations - Operations & Capital	Grants and Contracts	Patient Fees	Tuition	Auxiliary Enterprises	Other Revenues and Additions
FY 2003	$633.1	$531.0	$386.5	$249.5	$150.3	$153.9
FY 2004	$647.8	$559.9	$390.6	$251.2	$150.9	$149.3
FY 2005	$658.5	$612.2	$388.4	$280.7	$128.2	$125.6
FY 2006	$651.7	$711.1	$435.3	$276.6	$138.4	$162.3
FY 2007	$772.4	$774.3	$454.1	$301.4	$148.9	$209.9

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

Grants and contracts have grown from $531.0 million in Fiscal Year 2003 to $774.3 million in Fiscal Year 2007. State Appropriation revenues have increased $139.3 million since Fiscal Year 2003. Approximately $51.9 million additional revenues have been collected in tuition.

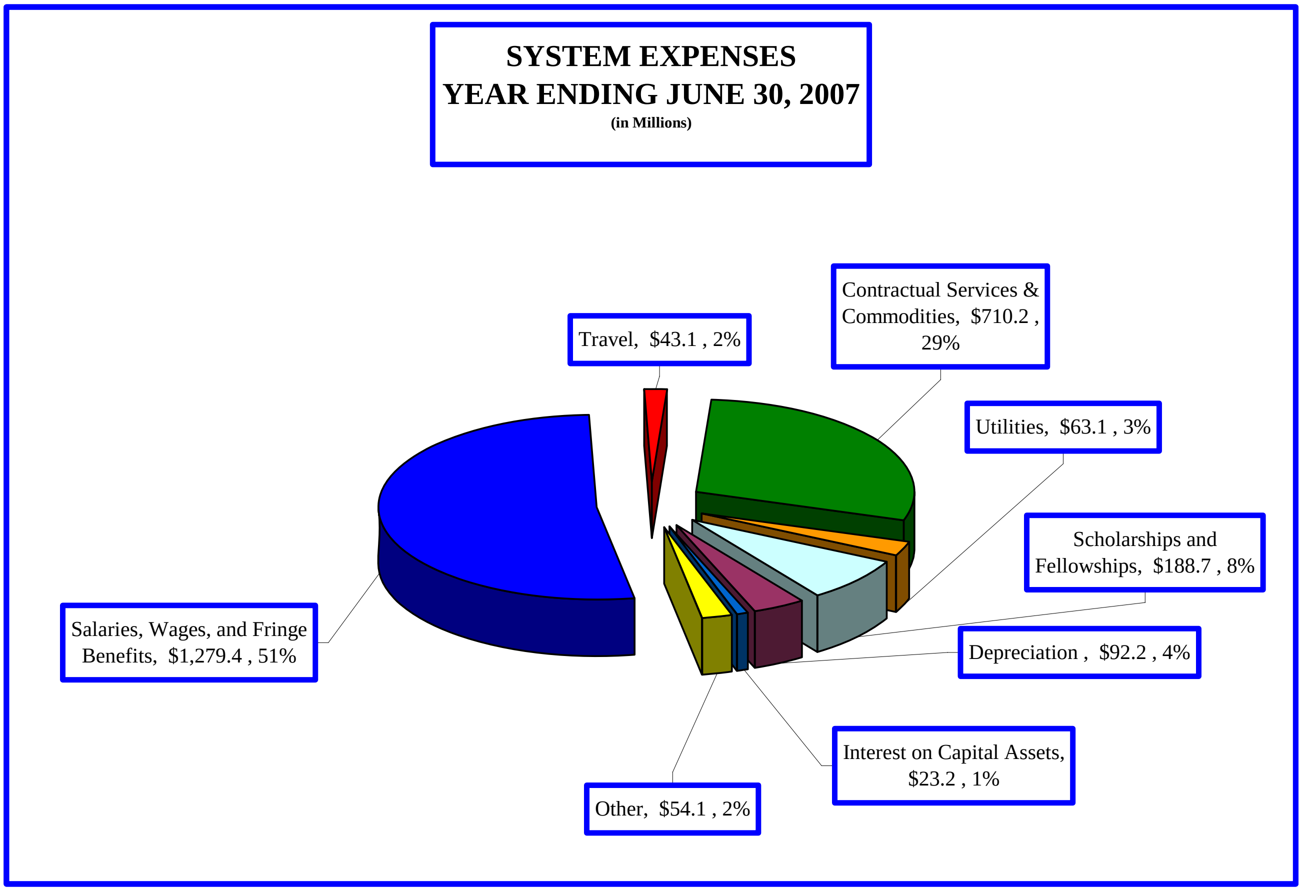
System Expenses

In Fiscal Year 2007 the system expended approximately $2.45 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 $1.3 billion (52 percent) of these dollars were spent on salaries and fringe benefits, up $112.3 million from Fiscal Year 2006. Commodities and Contractual Services made up approximately 29 percent of the expended dollars ($710.2 million). Commodities and Contractual Services were up $73 million. Contractual Services are expenses spent on non-tangible items such as utilities, telephone services, and postage. Scholarships and Fellowships (8 percent) 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 were up $10.5 million. Utilities expense for the System actually decreased $11.5 million from the prior year. Chart 8 depicts the breakout of system expenses for Fiscal Year 2007.

Chart 8: System Expenses – Fiscal Year 2007

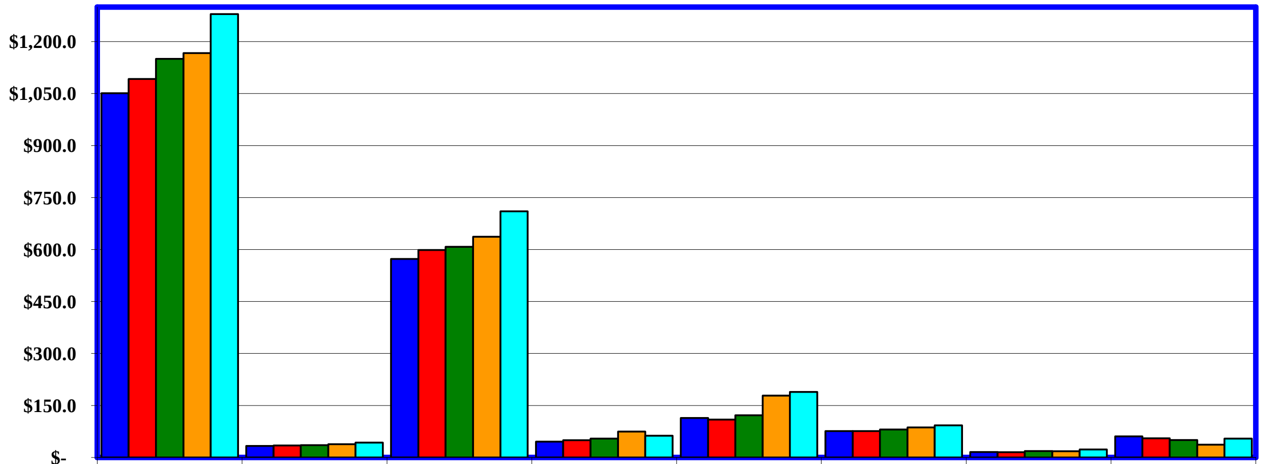


<u>Chart Total: $2,454.0 Million</u>

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 2003 - 2007

SYSTEM EXPENSES
FISCAL YEARS 2003 through 2007
(in millions)



	Salaries, Wages and Fringes	Travel	Contractual Services & Commodities	Utilities	Scholarships and Fellowships	Depreciation	Interest on Capital Assets	Other
FY 2003	$1,051.5	$32.9	$572.9	$45.6	$113.8	$76.3	$15.8	$60.6
FY 2004	$1,092.4	$34.6	$598.8	$49.3	$109.3	$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	$1,279.4	$43.1	$710.2	$63.1	$188.7	$92.2	$23.2	$54.1

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

As noted in Chart 9, salaries, wages and fringes have increased by $227.9 million since fiscal year 2003. The other two areas of substantial increase are contractual services and commodities ($137.3 million) and scholarship and fellowship expenses ($74.9 million).

Education and General (E&G) Funds

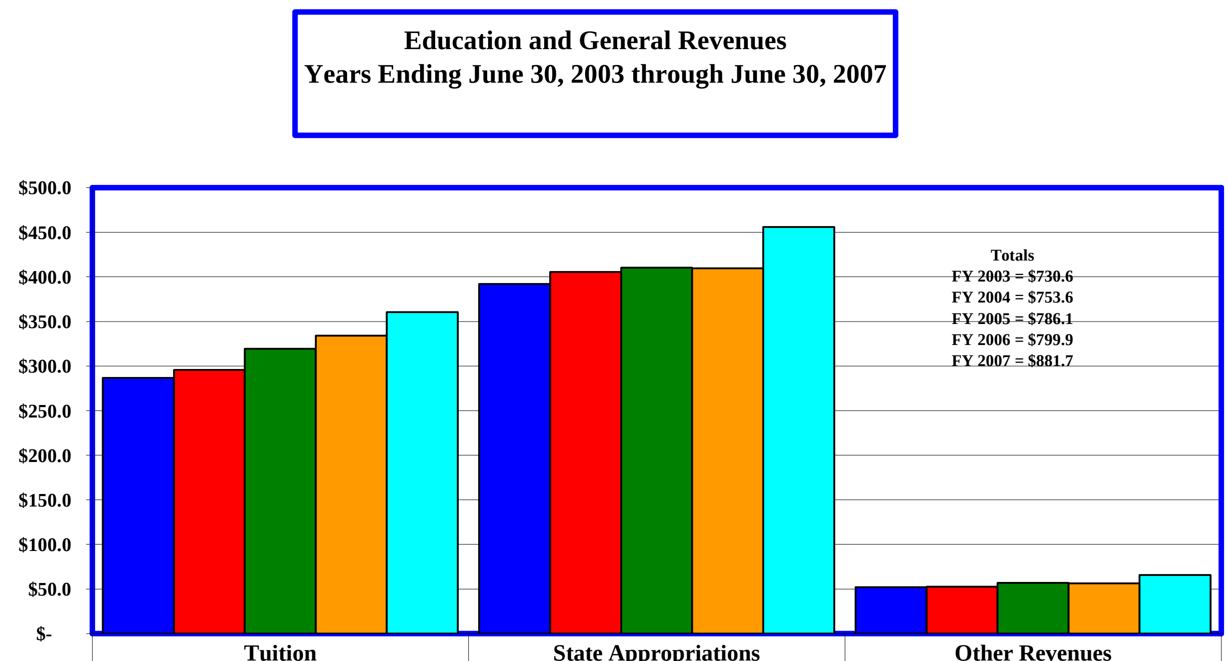
The preceding section addressed *all* resources of the institutions, specifically all restricted, or unrestricted funds at the institutions. The following analyses focus only on the education and general (E&G) funds for the eight institutions. E&G funds are unrestricted funds allowing institutions more 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 2007, 93 percent of E&G revenue came from two sources – tuition (41 percent) and state appropriations (52 percent). 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 2007 was $881.7 million up from $799.9 million from Fiscal Year 2006 and $730.6 million from Fiscal Year 2003. 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 2007, tuition was up $26.5 million over the previous year. Increases were a result of a combination of enrollment ***and*** tuition increases. E&G State appropriations increased dramatically in Fiscal Year 2007 ($46.1 million or 11.25%). This was the first significant increase the IHL institutions has received in many years.

Fiscal Year 2007 Other revenues increased in aggregate a total of $9.2 million over their prior year levels. 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 2003 to 2007



	Tuition	State Appropriations	Other Revenues
FY 2003	$286.6	$392.0	$52.0
FY 2004	$295.6	$405.5	$52.5
FY 2005	$319.2	$410.2	$56.7
FY 2006	$334.0	$409.6	$56.3
FY 2007	$360.5	$455.7	$65.5

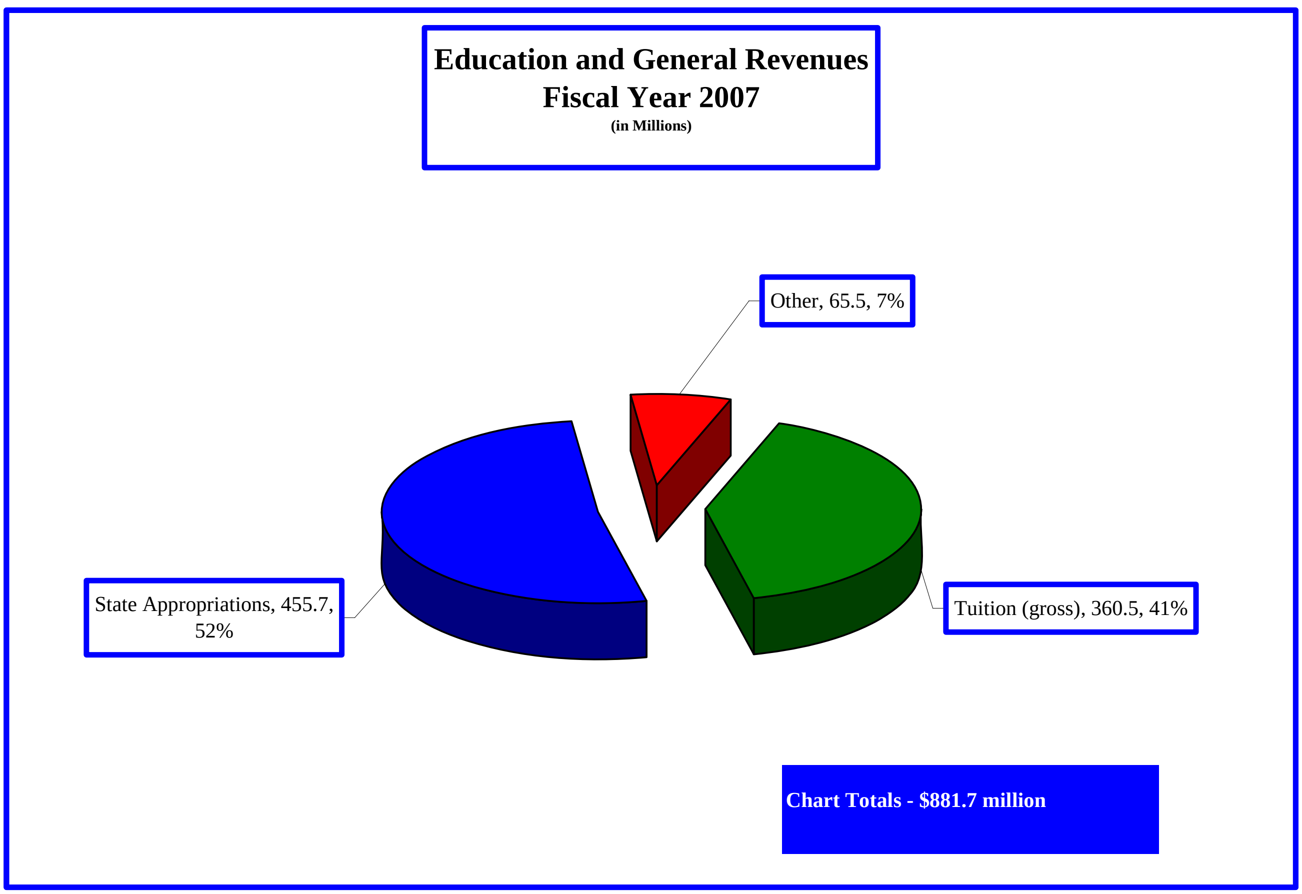
Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions
Numbers may not total due to rounding

When revenue dollars are held constant using 2003 dollars as the base year, the purchasing power of the revenue generated for Fiscal Year 2007 ($881.7 million) was equivalent to $754.0 million (see ***Financial Highlights – Education and General*** in front of document). Even though the actual dollars increased 20.7 percent over the five year period, the buying power of the revenue as measured by HECA actually only increased 6.4 percent. The buying power of revenue generated dollars per FTE student for Fiscal Year 2007 was $12,415, compared to FTE student revenue in fiscal year 2003 of $12,049, a gain of $366 per student FTE even though total revenues increased by $151.1 million over the five year period. 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 percent of college and university expenditures, HECA is based on 75 percent of the Employment Cost Index (ECI) and 25 percent of the growth in GDP Implicit Price Deflator.

The following chart shows the relative percentages of revenue in the general fund for Fiscal Year 2007.

Chart 11: Education & General Revenues (in millions) – Institutions – Fiscal Year 2007

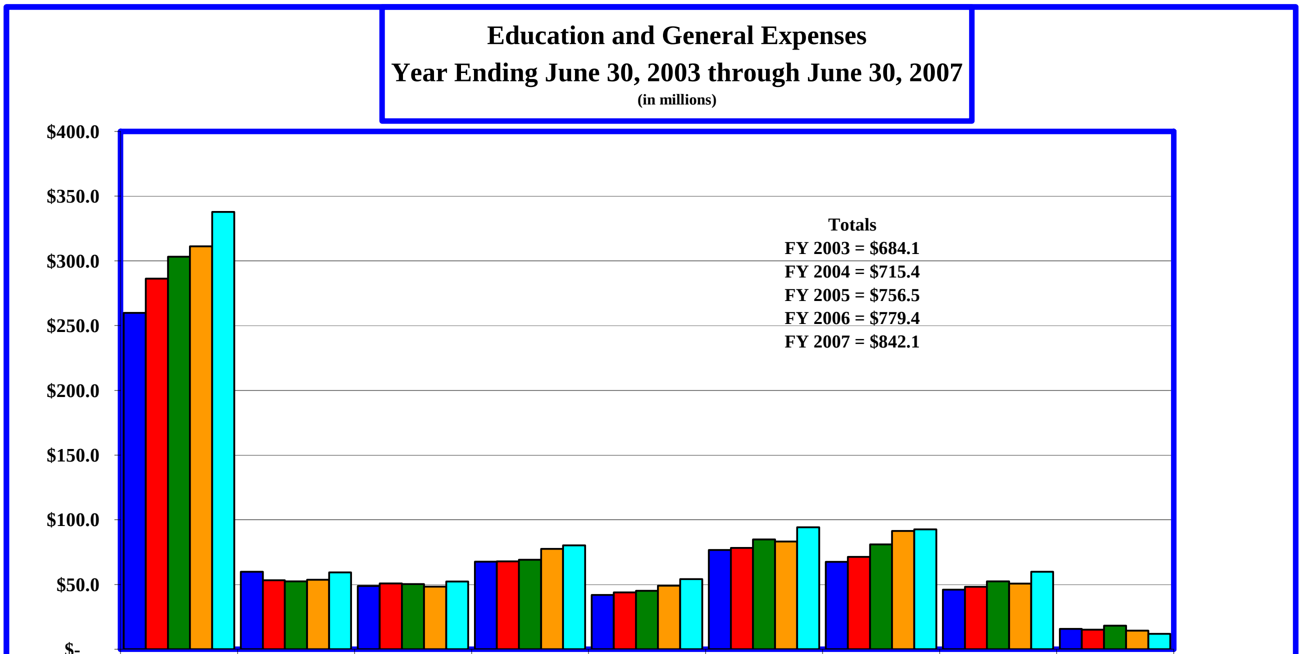


Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions
Numbers may not total due to rounding

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 80 percent of E&G funds. Approximately 40 percent of the expenses in the E&G fund were spent directly on the instruction function, up $26.5 million (8.5 percent) 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 2003 to 2007



	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation & Maintenance	Scholarships & Fellowships	Other & Mandatory Transfers
FY 2003	$259.8	$59.9	$48.9	$67.7	$41.9	$76.7	$67.4	$46.0	$15.8
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

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

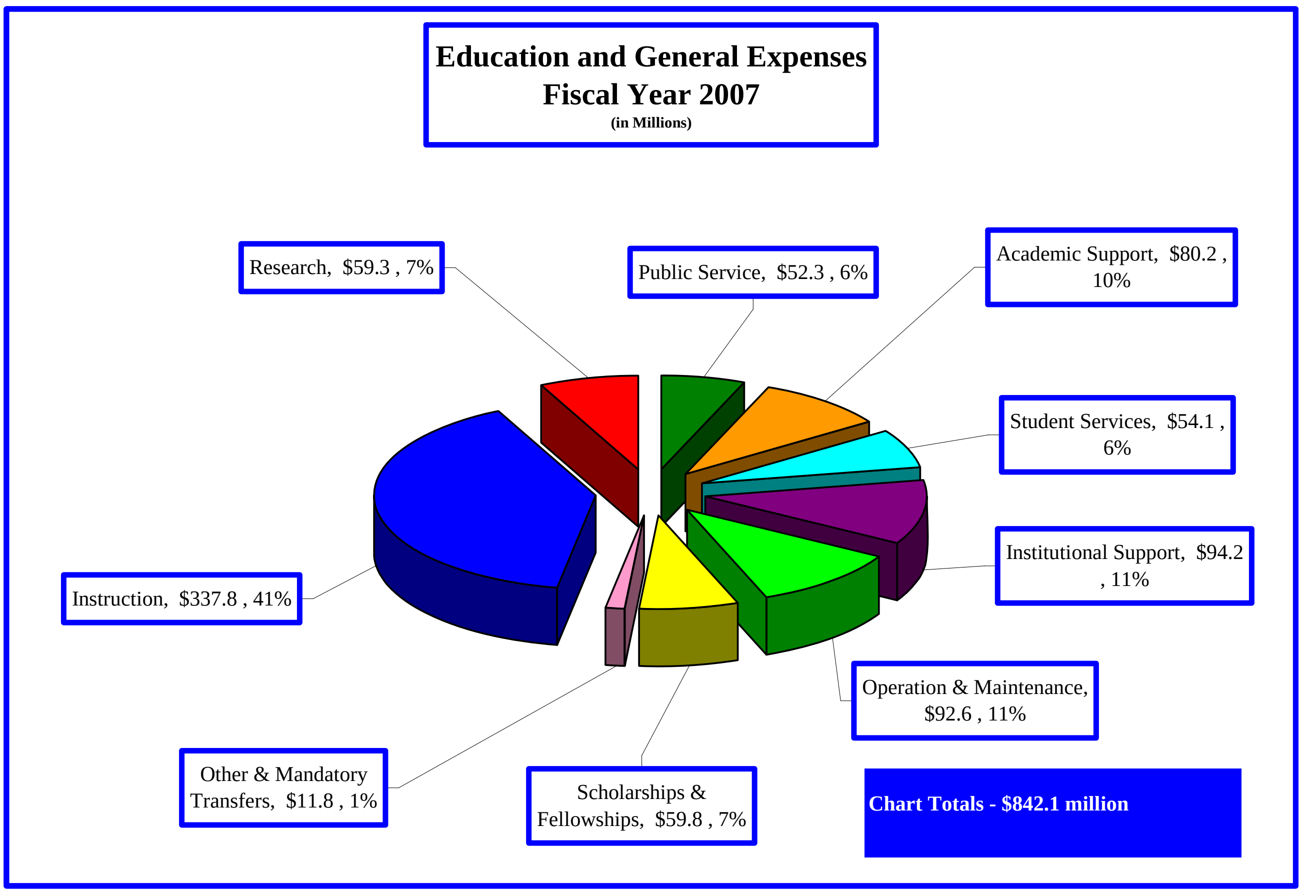
In Fiscal Year 2003, 9.9 percent of E&G expenditures were spent on Operation and Maintenance (O&M) Expenses. In Fiscal Year 2007, O&M expenses represent 11.0 percent of the total dollars spent. Cost of energy has substantially increased. Additionally, in Fiscal Year 2003, 11.2 percent of E&G expenditures were spent on Institutional Support Expenses. In fiscal year 2007, Institutional Support continues to demand 11.2 percent 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 $158 million over the five year period, placing more demands on institutional support and operation and maintenance.

Contracts and grant revenues increased approximately $243.3 million over the five-year period for a total of $774.3 million in revenues in Fiscal Year 2007. 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 $223.3 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 $466.6 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 2003 expenditure dollars are held constant, the purchasing power in Fiscal Year 2007 was $742.8 million, an increase of $58.7 million from the purchasing power in 2003. The FTE expenditures per student for Fiscal Year 2003 were $11,452, compared to $12,275 per FTE in Fiscal Year 2007, holding dollars constant. This is an increase of $823 per FTE student.

Chart 13: Education and General Expenses (in millions) – Institution – Fiscal Year 2007



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 and Debt Coverage 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 (before and after allowance for doubtful accounts). These relationships are provided to reveal how well the institutions are managing the collection processes.

Current Ratio – The formula is:

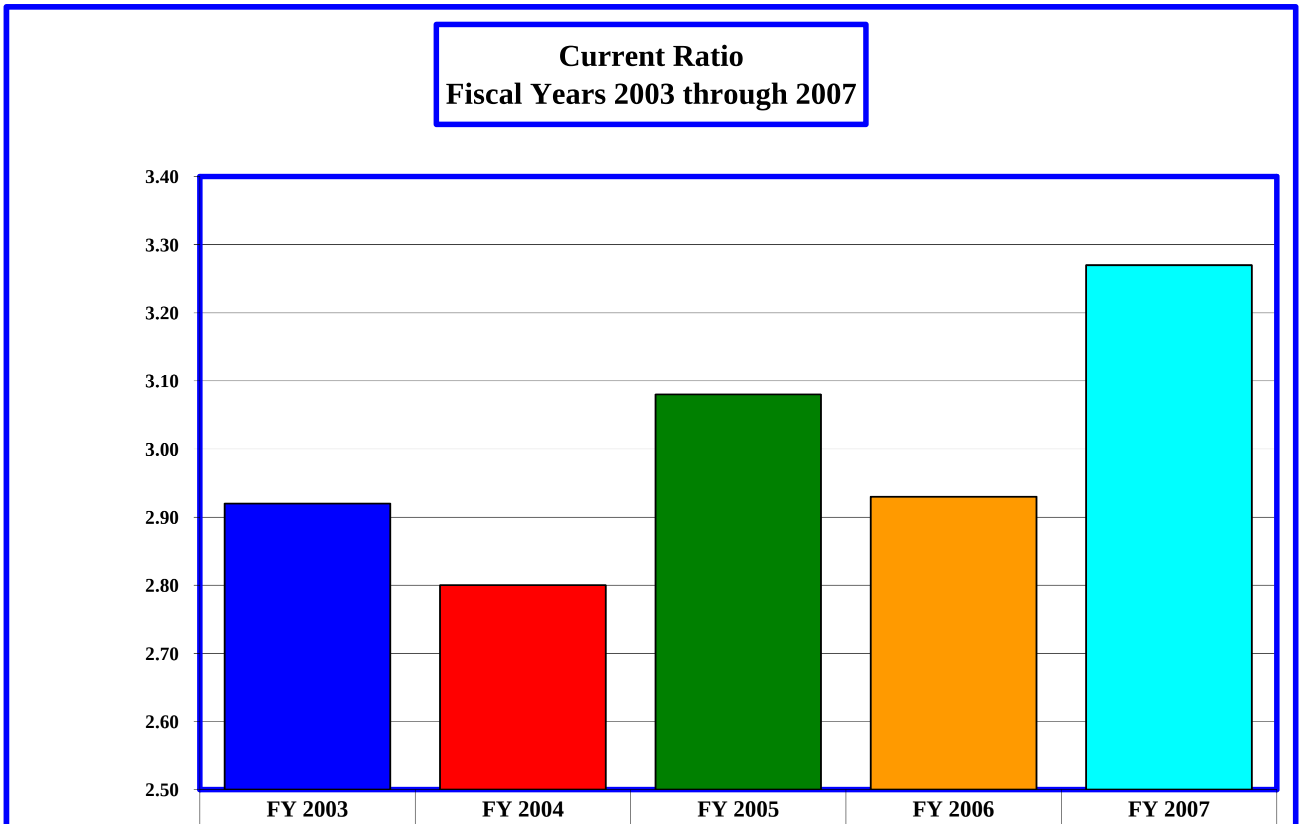
$$\frac{\text{E\&G Assets less Internal Receivables}}{\text{E\&G Liabilities less (Accumulated Leave and Internal Payables)}}$$

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 3.27 on June 30, 2007. This was a increase of .34 points from Fiscal Year 2006, and remains a healthy ratio. A increase in Current Ratio means the assets grew proportionally faster than did liabilities.

A current ratio of 3.27 implies the institutions have current assets to cover 327 percent of their current 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 2.0. 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 2.0. 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. None of the eight

Mississippi institutions had a current ratio below 2.0 on June 30, 2007. Only two of these institutions reported declines from prior year levels (JSU and MSU).

Chart 14: Institutional Current Ratios – June 30, 2003 through 2007



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Current Ratio	2.92	2.80	3.08	2.93	3.27

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

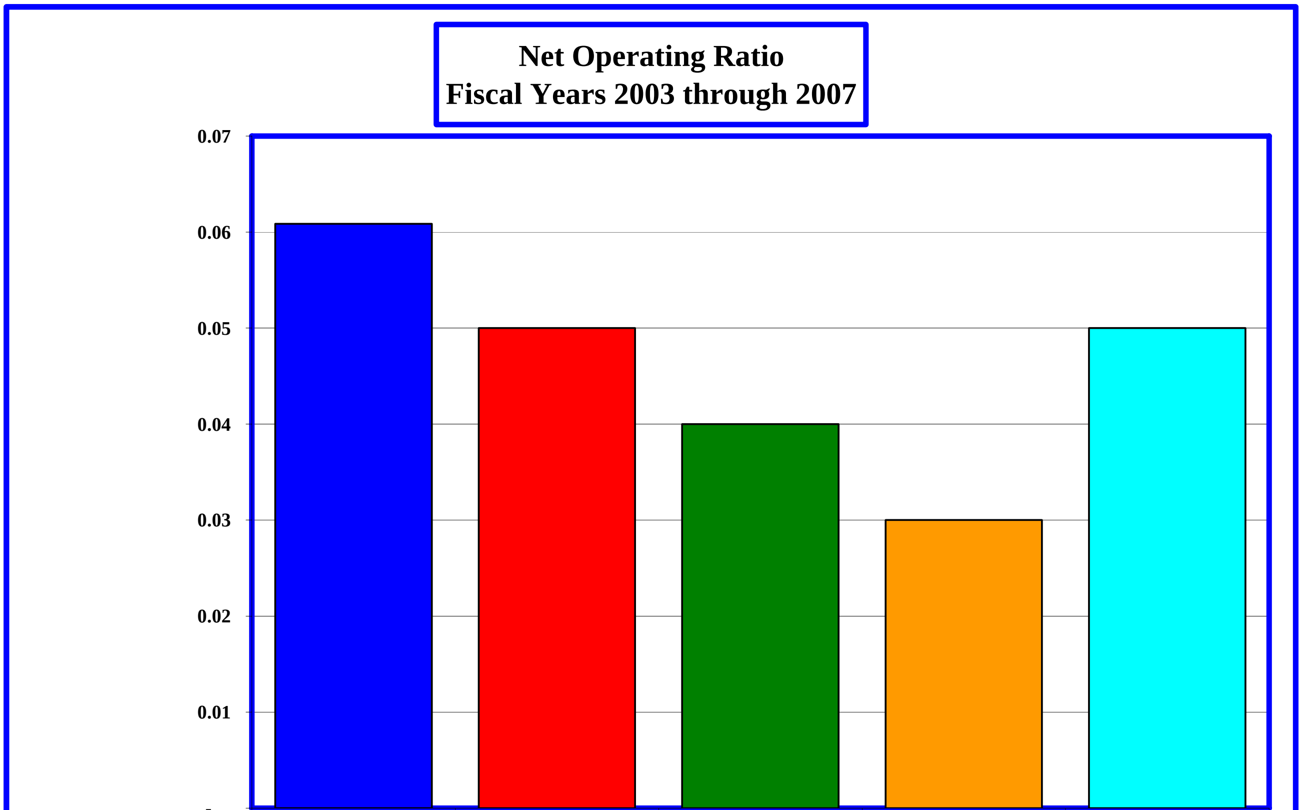
The current ratio for UMMC for Fiscal Year 2007 was 3.73 and is not included in the summary ratio information. This ratio decreased from Fiscal Year 2006 (4.92).

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:

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

Positive results indicate the E&G revenues were greater than the E&G expenses for the year. The Net Operating Ratio improved to .05 for Fiscal Year 2007 after standing at .03 on June 30, 2006, meaning System revenues grew faster than expenses. The positive numbers indicate the system ended the year with a surplus in all years under review. According to publications by NACUBO, the rule of thumb ratio should be between .02 and .04. The system's ratio exceeded the NACUBO recommendation; however, individual institutions had ratios ranging between a negative .00 (MUW) and a positive .09 (UM) on June 30, 2007. Four institutions which reported negative net operating ratios in Fiscal Year 2006 experienced surpluses during 2007 (DSU, JSU, MSU and MUW). In fact all Mississippi institutions reported net operating surpluses during 2007. The UMMC ratio for Fiscal Year 2007 was .04, a slight decrease from Fiscal Year 2006 (0.6).

Chart 15: Institutional Net Operating Ratios – June 30, 2003 through 2007



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Net Operating Ratio	0.06	0.05	0.04	0.03	0.05

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

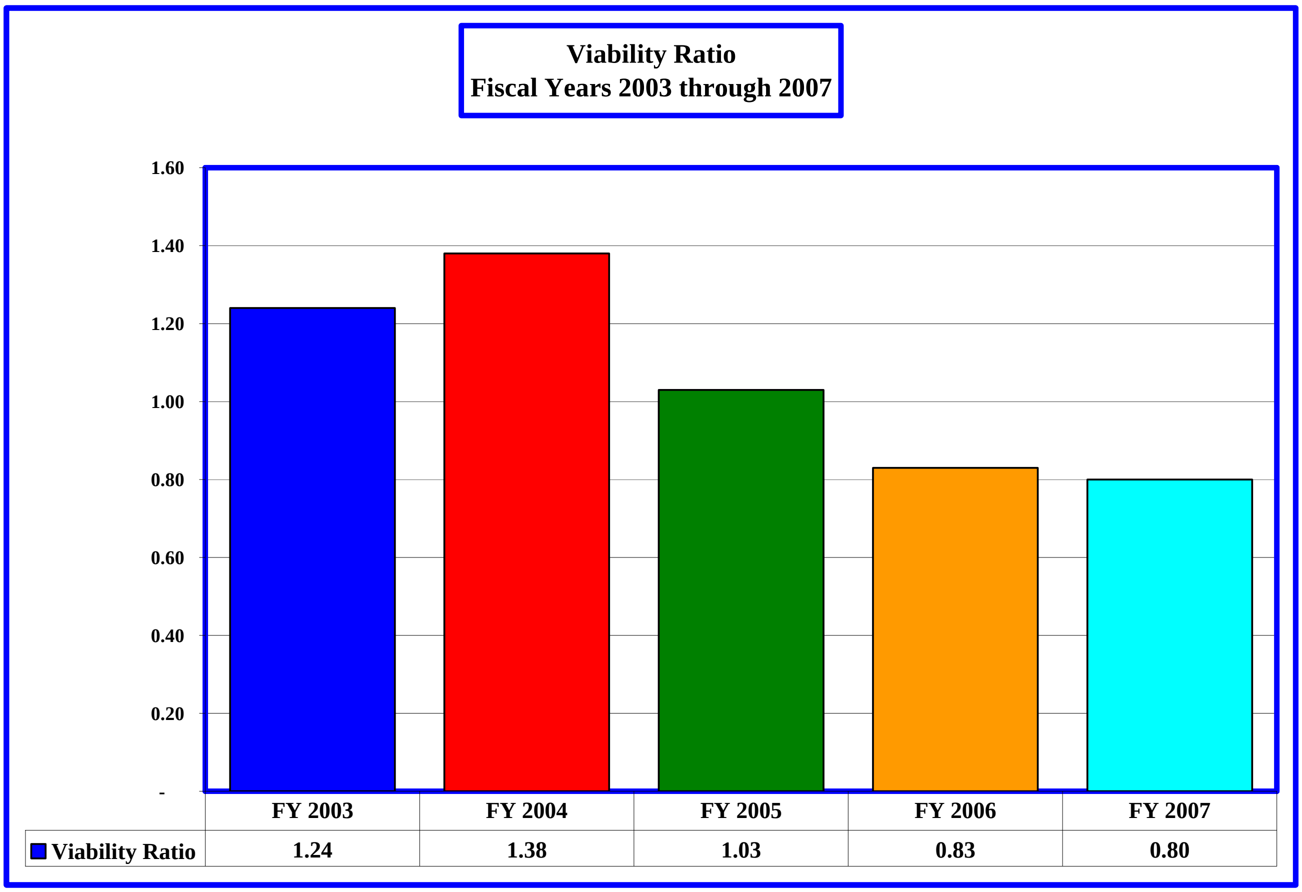
Two ratios were calculated to assess the overall financial condition of the institutions are provided. These ratios include the Viability Ratio and Primary Reserve Ratio.

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. The system's trend has been declining for the past three years. The institutional average for the Viability Ratio was .83, for June 30, 2006, and .80 for June 30, 2007. The most recent negative performance of the viability ratio means the institutions' fiscal strength declined due to Unrestricted Net Assets growing slower than debt. In other words, a negative performance means capital debt is growing faster than unrestricted net assets and will need to be more closely monitored to ensure the institutions can respond to adverse conditions with internal resources. The institutional ratios ranged from .12 (JSU) to 55.00 (ASU) on June 30, 2007 (see Appendix). Five institutions had a negative performance in 2007 – JSU, MUW, MVSU, UM and USM. These same five institutions increased their long-term debt during the year, while the other three institutions paid down long-term obligations during 2007 (ASU, DSU and MSU). ASU, and MUW have very little debt. Both of these institutions had indebtedness of less than $1.0 million. DSU, JSU, MSU, MVSU and USM had ratios below 1.00 on June 30, 2007. UMMC's ratio was .87, a slight increase from Fiscal Year 2006 (.70).

Chart 16: Institutional Viability Ratios – June 30, 2003 through 2007



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

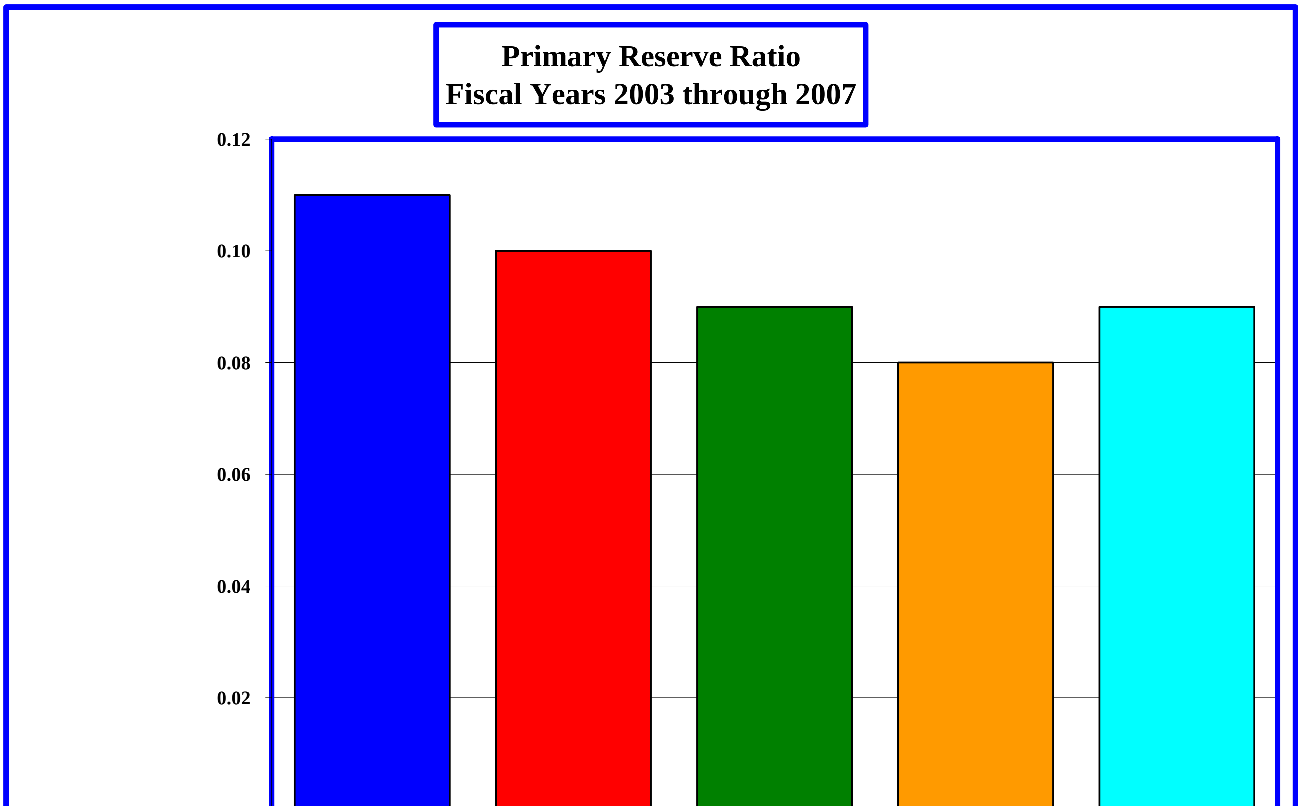
Primary Reserve Ratio – Primary Reserve Ratio also measures the financial strength of the institution. The formula is:

$$\frac{\text{E\&G Net Assets (formerly Fund Balance)}}{\text{E\&G Expenses + Mandatory Transfers}}$$

The 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, 2005, .08 on June 30, 2006, and .09 on June 30, 2007. This means, as a system, the institutions could operate approximately one month without reliance on additional funds. There is no rule of thumb reported for this ratio but a negative trend over time indicates a weakening financial condition, meaning E&G expenditures grew faster than the E&G net assets. Failure to keep pace with increases in expenses provides less margin of safety. Only two institutions had negative performance for the year ending June 30, 2007 (MUW and MVSU). Their negative performance was a result of both the growth in expenses and the decline in net assets. However, each of the institutions could support current operations for approximately one month without reliance on additional revenues; some institutions could support current operations for up to two months. In all, the Mississippi institutions' ratios ranged from a low of .05 at DSU and a high of .25 at ASU.

UMMC reports a ratio of .24 for Fiscal Year 2007, down slightly from .25 in Fiscal Year 2006

Chart 17: Institutional Primary Reserve Ratios – June 30, 2003 through 2007



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Primary Reserve Ratio	0.11	0.10	0.09	0.08	0.09

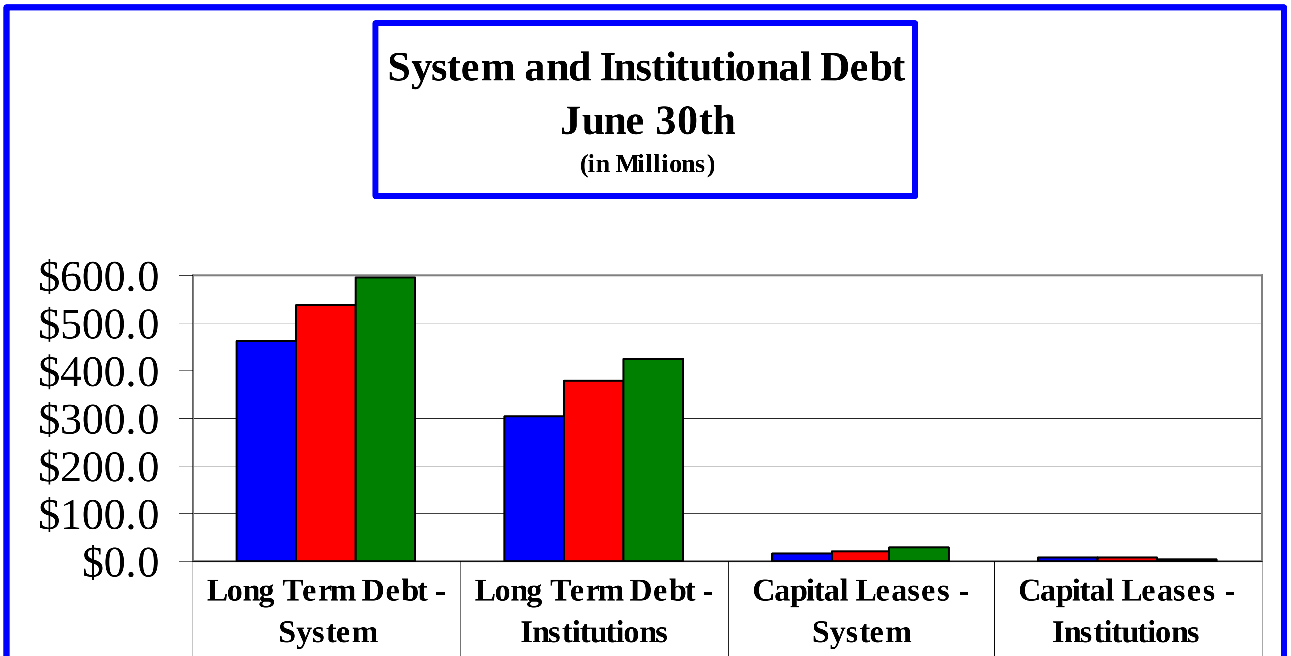
Source: Compiled by Mississippi Institutions of Higher Learning from data provided by the institutions

Capital Debt Ratios

Institutions receive funds from the state to construct most of the academic or administrative facilities 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. Bond indebtedness, notes payable, and capital leases at the institutions totaled $596.2 million on June 30, 2007. 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, 2005, 2006 and 2007. 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 2005, 2006 and 2007 – System and Institutions



	Long Term Debt - System	Long Term Debt - Institutions	Capital Leases - System	Capital Leases - Institutions
FY 2005	$461.7	$305.8	$18.1	$10.0
FY 2006	$538.7	$380.5	$21.0	$6.6
FY 2007	$596.2	$424.6	$27.3	$5.3

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

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

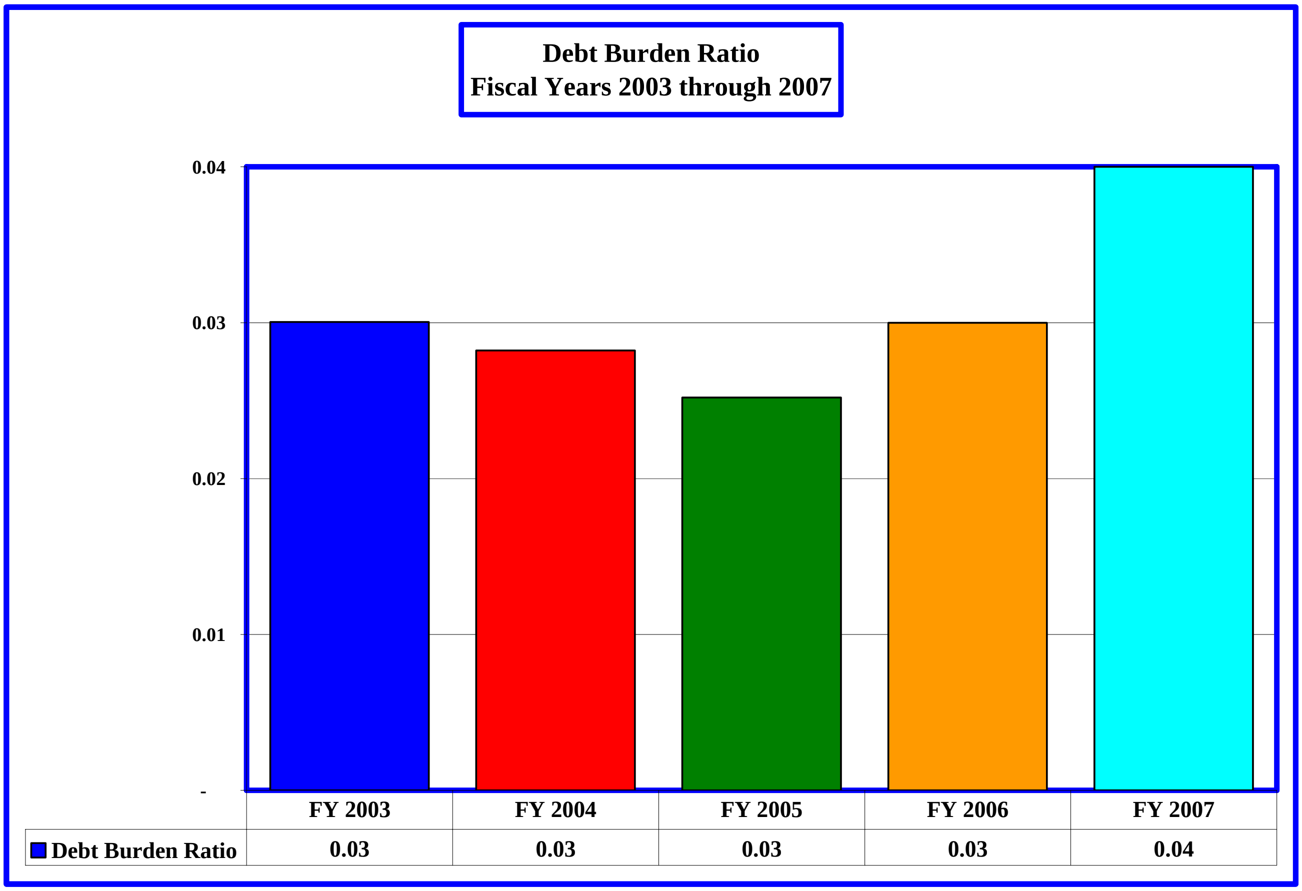
Debt Burden Ratio – Debt burden ratio indicates the institution's dependence on debt as a source of financing its mission and the relative cost of debt to overall expenses. The formula for the debt burden ratio is:

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

Current funds are defined as E&G, Auxiliary, Designated, and Restricted funds. 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. The ratio measures the relative cost of debt to overall expenses. 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 the institutions. IHL System debt service costs increased substantially during Fiscal Year 2007 (up $16.9 million). Debt service costs for the system was equal to $37.9 million in 2006 and $54.8 in 2007.

Chart 19: Institutional Debt Burden Ratios – June 30, 2003 through 2007



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

Debt service is a legal claim on resources. Investment bankers have identified an upper threshold for the debt burden ratio at 7 percent, meaning the current principal, interest expenses, and trustees' fees should not be greater than 7 percent (.07) of operating expenses. Institutions with high ratios will likely face greater scrutiny from rating agencies and creditors. The system is below this percentage. All institutions in Fiscal Year 2007 were under 5 percent. The institutional ratios ranged from .005 (ASU and MVSU) to .05 (MSU). UMMC's ratio remained constant at .02 for Fiscal Year 2007.

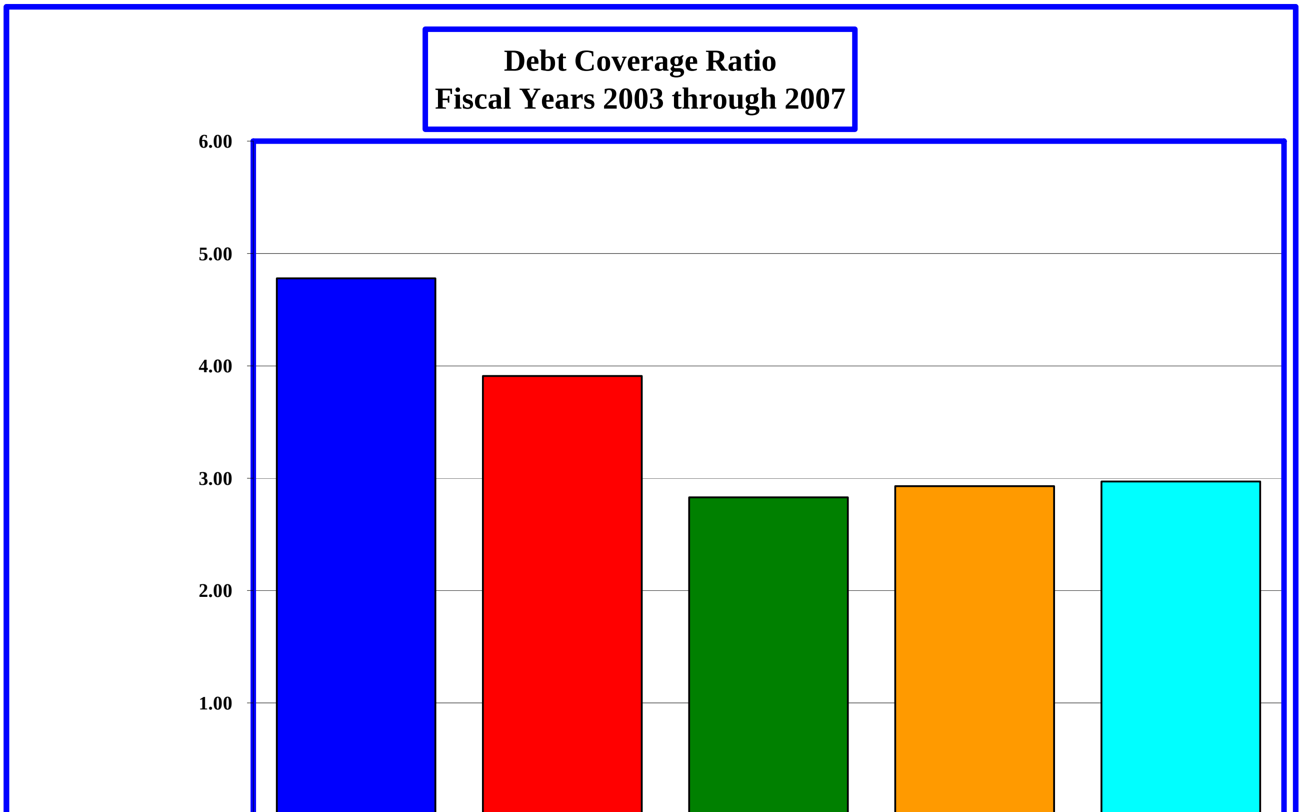
Debt Coverage Ratio – Debt coverage ratios measure the resources available to cover annual debt service payments. The formula is:

$$\frac{\text{Change in Unrestricted Assets + Interest Expense + Depreciation Expense}}{\text{Principal + Interest Expense + Trustees' Fees}}$$

This ratio is typically calculated by dividing unallocated and unrestricted net assets plus interest expense and depreciation expense by long-term debt cost. The 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 some concern regarding the institution's ability to sustain its operations. A rule of thumb is not reported for this ratio.

During Fiscal Year 2007, the IHL System increased this ratios performance. In 2006, the ratio was 2.93. In 2007, the ratio improved to 2.97. For 2007, the annual debt obligation for the IHL system could be covered approximately three times. The Debt Coverage Ratio increased at five institutions, ASU, DSU, JSU, MVSU and USM, while decreasing at three institutions – MSU, MVSU, and UM between Fiscal Years 2006 and 2007. Each institutional ratio remains healthy but this trend should be monitored closely by the institutions. MUW was the only institution to experience negative debt coverage performance during Fiscal Year 2007.

Chart 20: Institutional Debt Coverage Ratios – June 30, 2003 through 2007



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Debt Coverage Ratio	4.78	3.91	2.83	2.93	2.97

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

UMMC's debt coverage ratio was 3.66 for Fiscal Year 2007. In Fiscal Year 2006, the ratio was 3.06.

Accounts Receivable Review – Percentage comparisons – Student Tuition Accounts Receivables are amounts due the institution from students for the cost of tuition. Student Tuition Receivables as a Percent of Net Tuition and Fees and Change in the Allowance for Doubtful Accounts versus Prior Year Tuition (net) was reviewed and are expressed as percentages rather than a ratio. The goal of these financial indicators are to show how well the institutions are managing their receivables. An analysis of Receivables begins with the analysis of the Student Tuition Receivable as a Percent of Net Tuition and Fees.

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

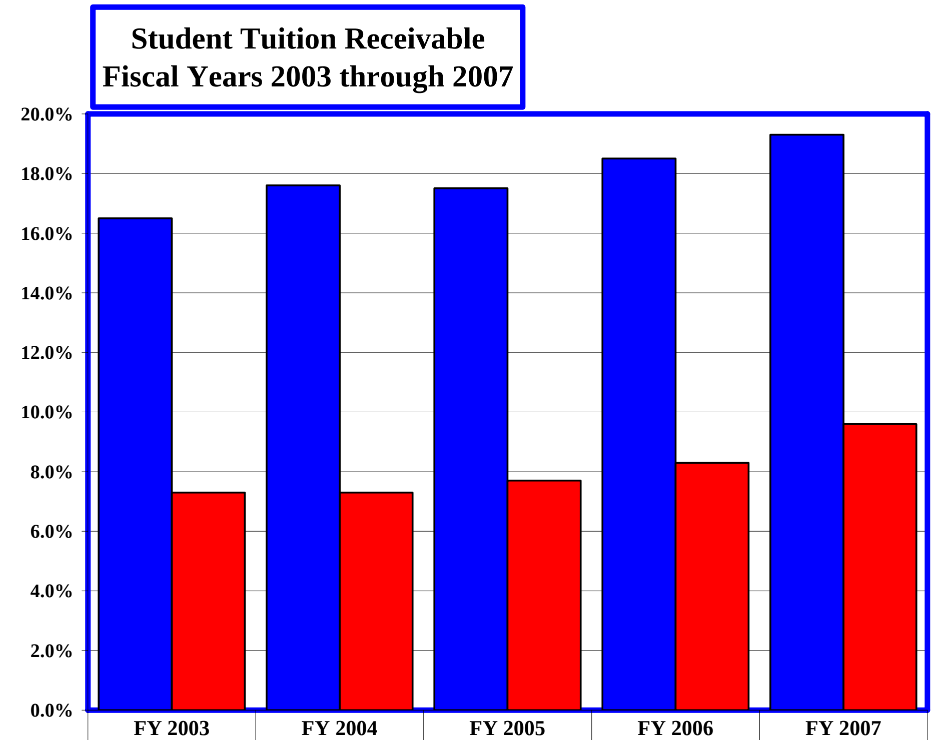
$$\frac{\text{Student Tuition Accounts Receivable}}{\text{Net Tuition}}$$

These ratios show wide variations in the percentages among the institutions, ranging from 5.7 percent at UM to 79.4 percent at ASU. The lower the ratio, the better the institution is managing tuition receivables. The system averages were 19.3 percent on June 30, 2007, 18.5 percent on June 30, 2006, and 17.5 percent on June 30, 2005. The ratio is increasing slightly each year. The higher percentages are, more often than not, a result of outstanding student accounts receivables over one year old. Taking into consideration the Allowances for Doubtful Accounts, the percentages drop dramatically for some institutions. For example, ASU went from 79.4 percent to 25.0 percent when allowances are considered. JSU’s ratio went from 74.2 percent to approximately 27.0 percent. Taking into consideration the allowance for doubtful accounts, the system averages were 9.6 percent on June 30, 2007, 8.3 percent on June 30, 2006, and again 7.7 percent on June 30, 2005. UMMC’s ratio was 8.6 percent for Fiscal Year 2007, down significantly from Fiscal Year 2006’s 18.0 percent.

The trend for this financial indicator is increasing for the system meaning, the collection rate could be slowing. Institutions should monitor this ratio and ensure collection policies are written and enforced on campuses. There is no rule of thumb reported for this relationship.

The Institutional averages are shown in Chart 21.

Chart 21: Student Tuition Receivable to Net Tuition



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Student Tuition Receivables to Net Tuition and Fees	16.5%	17.6%	17.5%	18.5%	19.3%
Student Tuition Receivables to Net Tuition and Fees after allowance	7.3%	7.3%	7.7%	8.3%	9.6%

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

Institutional Change in Allowance for Doubtful Accounts versus Prior Year Tuition – The formula for this relationship is:

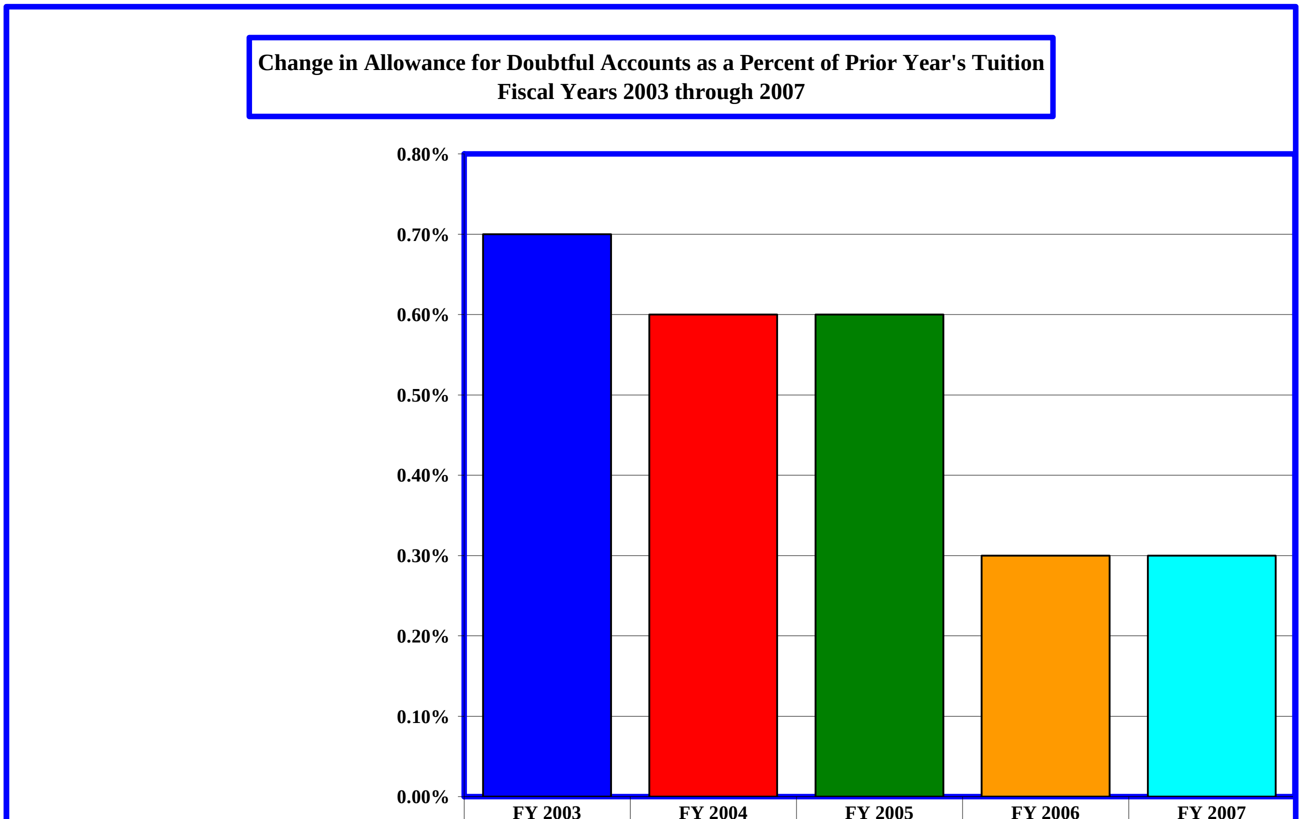
$$\frac{\text{Change in Allowance for Doubtful Accounts}}{\text{Prior Year's Net Tuition}}$$

The Change in the Allowance for Doubtful Accounts versus Prior Year Tuition analysis also measures how well the collection processes are functioning on campuses. The Allowance for Doubtful Accounts is the amount estimated to be uncollectible in the Accounts Receivable balances at the institutions.
The *change* in the Allowance Account from year-to-year reflects the increase or decrease in this account that institutional management estimates to be uncollectible after doing a year-end analysis. Mississippi Code prevents the institutions from writing off bad debt, so the amount continues to grow.

> ***ARTICLE IV – SECTION 100.***
> No obligation or liability of any person, association, or corporation held or owned by this state, or levee board, or any county, city, or town thereof, shall ever be remitted, released or postponed, or in any way diminished by the legislature, nor shall such liability or obligation be extinguished except by payment thereof into the proper treasury; nor shall such liability or obligation be exchanged or transferred except upon payment of its face value; but this shall not be construed to prevent the legislature from providing by general law for the compromise of doubtful claims.

The change in the Allowance for Doubtful Accounts was calculated by comparing the change in the amounts recorded in the audited financial statements from one year to the next. Fiscal Year 2007 data is unaudited. This amount was then compared to the prior year's tuition revenue generated to calculate a percentage in order to study the trends for the institutions to determine if tuition revenue is being collected timely by the institutions. As shown in Chart 22, the IHL System's performance remained unchanged from Fiscal Year 2006 to Fiscal Year 2007.

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



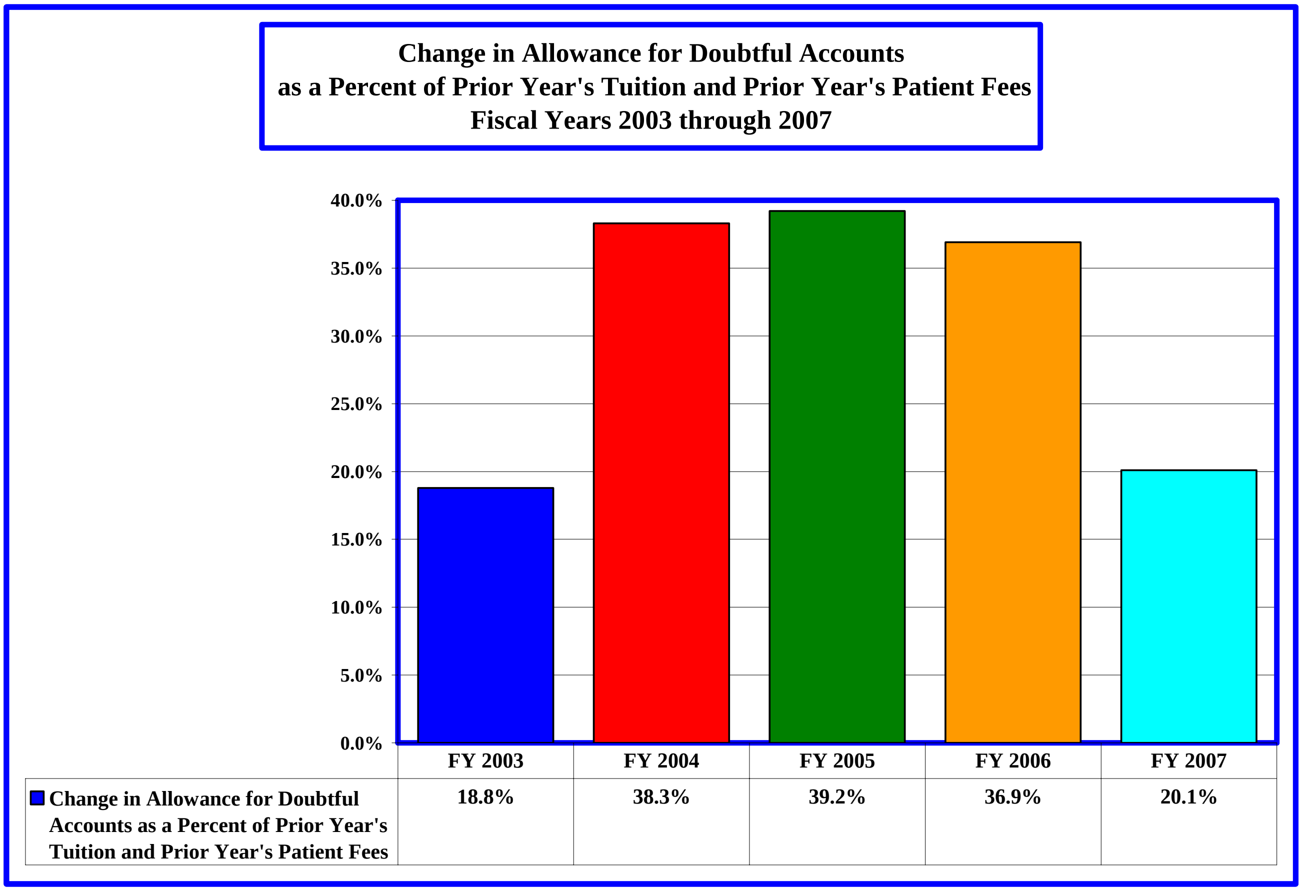
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	0.7%	0.6%	0.6%	0.3%	0.3%

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

Two factors can cause this percentage to change – an change in tuition revenues and failure to adjust the allowance account to a realistic estimate. There is no rule of thumb for this indicator.

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 on UMMC's patient fees collectibility. In Fiscal Year 2006, the percentage was 36.9 percent and in Fiscal Year 2007, the percentage was 20.1 percent. The trend in this percentage is decreasing. The analysis illustrates the burden placed on the UMMC for charges for indigent care. Chart 23 reflects this analysis for the UMMC.

Chart 23: Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Patient Fees



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 analyses. The public universities in Mississippi appear to be fiscally healthy especially in light of the unpredictable economic conditions recently experienced by the State. While all institutions are not improving, most ratios are still within acceptable ranges. 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 operations and capital projects increased approximately $120.7 million in Fiscal Year 2007. This was the first significant increase for the IHL System in many years. Still, 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 2007, nor have they been increased in many years. For this reason, a 6.2 percent average tuition increase was approved by the IHL Board for Mississippi institutions, effective with the fall 2007 semester. This increase did not appear to have a negative impact on student enrollment, as the Fall 2007 preliminary headcount increased 1.2 percent over the prior Fall term. The increase in Fall enrollment numbers continues to reflect an eleven-year continuing 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. During Fiscal Year 2007, the institutions generated approximately $63.2 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, 2007
(in millions)

Assets	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC	Executive Office
Current Assets	$ 682.2	$ 23.0	$ 6.3	$ 35.4	$ 107.9	$ 9.6	$ 28.4	$ 143.9	$ 90.8	$ 219.1	$ 17.8
Capital Assets	2,164.6	90.7	85.4	213.1	585.5	77.5	37.9	418.6	279.6	370.6	5.7
Other Non-Current Assets	666.9	5.8	10.3	41.2	97.7	7.3	10.1	163.9	84.9	183.4	62.3
Total Assets	**$ 3,513.7**	**$ 119.5**	**$ 102.0**	**$ 289.7**	**$ 791.1**	**$ 94.4**	**$ 76.4**	**$ 726.4**	**$ 455.3**	**$ 773.1**	**$ 85.8**

Liabilities and Net Assets	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC	Executive Office
Current Liabilities	$ 217.3	$ 5.1	$ 4.7	$ 13.2	$ 43.0	$ 4.8	$ 3.8	$ 37.8	$ 32.1	$ 64.4	$ 8.4
Non-Current Liabilities	718.8	1.6	7.7	93.1	172.0	3.2	21.2	104.8	113.4	183.9	17.9
Net Assets	2,577.6	112.8	89.6	183.4	576.1	86.4	51.4	583.8	309.8	524.8	59.5
Total Liabilities and Net Assets	**$ 3,513.7**	**$ 119.5**	**$ 102.0**	**$ 289.7**	**$ 791.1**	**$ 94.4**	**$ 76.4**	**$ 726.4**	**$ 455.3**	**$ 773.1**	**$ 85.8**

System Capital Assets
As of June 30, 2007
(net of depreciation)
(in millions)

Capital Assets	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM	UMMC	Executive Office
Land	51.5	$ 0.9	$ 0.9	$ 7.5	$ 12.7	$ 2.4	$ -	$ 10.0	$ 14.9	$ 2.2	$ -
Construction in Progress	375.0	22.0	6.8	33.7	191.5	1.8	5.2	30.1	48.9	35.0	-
Buildings	1,369.9	63.2	69.4	139.4	285.5	68.1	22.8	294.8	181.2	240.2	5.3
Improvements other than Buildings	133.0	3.2	3.1	26.3	39.3	2.3	7.2	34.7	12.6	4.2	0.1
Equipment	168.0	(0.1)	2.8	4.1	36.3	2.5	1.7	30.6	10.7	79.1	0.3
Library Books	65.6	1.5	2.5	2.1	18.5	0.4	1.0	18.4	11.3	9.9	-
Livestock	1.7	-	-		1.7	-	-		-	-	-
Total Capital Assets	**$ 2,164.7**	**$ 90.7**	**$ 85.5**	**$ 213.1**	**$ 585.5**	**$ 77.5**	**$ 37.9**	**$ 418.6**	**$ 279.6**	**$ 370.6**	**$ 5.7**

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, 2007 (in millions)											
Revenues	**System**	**ASU**	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**	**UMMC**	**Executive Office**
Net Tuition & Fees (net)	$ 301.4	$ 9.2	$ 14.3	$ 25.6	$ 70.7	$ 6.9	$ 11.7	$ 92.0	$ 64.0	$ 7.0	$ -
State Appropriation -											
Operating & Capital	772.4	43.6	30.0	64.0	189.9	15.8	22.6	83.9	95.7	183.0	43.9
Grants & Contracts	774.3	29.7	8.5	66.8	239.3	12.1	19.1	123.0	131.6	82.0	62.2
Auxiliary Income	148.9	7.2	6.3	11.5	45.6	2.2	7.5	39.1	23.5	3.9	2.1
Patient Fees	454.1	-	-	-	-	-	-	-	-	454.1	-
Other Revenues	209.9	23.1	6.8	13.0	43.1	4.8	9.5	35.4	24.1	40.8	9.3
Total Revenues	**$ 2,661.0**	**$ 112.8**	**$ 65.9**	**$ 180.9**	**$ 588.6**	**$ 41.8**	**$ 70.4**	**$ 373.4**	**$ 338.9**	**$ 770.8**	**$ 117.5**

Mississippi's Institutions of Higher Learning System Expenses Fiscal Year Ending June 30, 2007 (in millions)											
Expenses	**System**	**ASU**	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**	**UMMC**	**Executive Office**
Salaries & Fringe Benefits	$ 1,279.4	$ 37.4	$ 32.8	$ 92.3	$ 309.2	$ 22.0	$ 31.4	$ 176.4	$ 163.0	$ 404.1	$ 10.8
Travel	43.1	2.1	1.4	4.4	12.9	0.5	1.9	9.8	7.5	2.2	0.4
Cont. Services & Commodities	710.2	20.8	13.3	41.5	142.3	9.0	21.9	76.4	90.5	270.7	23.8
Utilities	63.1	3.5	3.0	4.9	13.6	2.5	2.3	10.5	9.0	13.0	0.8
Scholarships & Fellowships	188.7	6.0	5.3	15.5	24.2	4.5	1.2	31.1	20.6	3.8	76.5
Depreciation Expense	92.2	3.9	2.8	5.4	24.6	1.6	1.5	19.3	11.2	21.6	0.3
Interest Expense	23.2	-	0.4	3.8	6.7	-	0.1	3.3	2.6	6.3	-
Other Expenses	54.1	18.1	1.5	12.5	0.6	0.9	8.9	0.8	1.6	4.5	4.7
Total Expenses	**$ 2,454.0**	**$ 91.8**	**$ 60.5**	**$ 180.3**	**$ 534.1**	**$ 41.0**	**$ 69.2**	**$ 327.6**	**$ 306.0**	**$ 726.2**	**$ 117.3**

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, 2007
(in millions)

Education and General Revenues

Revenues *	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
Tuition & Fees	$ 360.5	$ 16.4	$ 16.9	$ 38.6	$ 88.8	$ 10.3	$ 15.6	$ 101.6	$ 72.3
State Appropriations	455.7	25.7	22.6	48.6	161.5	14.7	18.4	77.3	86.9
Other	65.5	1.6	1.3	9.1	32.4	1.1	1.9	5.1	13.0
Total Revenues	**$ 881.7**	**$ 43.7**	**$ 40.8**	**$ 96.3**	**$ 282.7**	**$ 26.1**	**$ 35.9**	**$ 184.0**	**$ 172.2**

Education and General Expenses by Function

Expenses by Function *	System	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
Instruction	$ 337.8	$ 17.7	$ 15.8	$ 38.0	$ 85.6	$ 10.2	$ 12.9	$ 83.2	$ 74.4
Research	59.3	1.2	-	0.9	46.8	-	0.3	6.3	3.8
Public Service	52.3	2.2	0.8	0.2	46.8	0.2	0.1	0.4	1.6
Academic Support	80.2	2.7	4.8	8.2	26.0	2.2	2.0	21.6	12.7
Student Services	54.1	3.6	3.9	12.3	9.5	2.2	4.9	9.7	8.0
Institutional Support	94.2	4.5	4.8	17.4	16.9	3.8	5.7	17.4	23.7
Operation & Maintenance	92.6	5.4	5.4	8.6	24.1	4.4	6.0	18.6	20.1
Scholarships & Fellowships	59.8	4.9	3.5	8.4	13.3	2.8	3.5	10.3	13.1
Other & Mandatory Transfers	11.8	0.1	1.5	0.5	8.3	0.3	0.2	0.2	0.7
Total Expenses by Function	**$ 842.1**	**$ 42.3**	**$ 40.5**	**$ 94.5**	**$ 277.3**	**$ 26.1**	**$ 35.6**	**$ 167.7**	**$ 158.1**

Note: Numbers may not add due to rounding

Appendix 1: Summary of Data
Table 4

Mississippi's Institutions of Higher Learning Institutions Only As of June 30, 2003, 2004, 2005, 2006 and 2007 (in millions)									
Institutional Debt	**Total**	**ASU**	**DSU**	**JSU**	**MSU**	**MUW**	**MVSU**	**UM**	**USM**
Bonded Indebtedness and Notes Payable - FY 2007	$ 429.3	$ 0.3	$ 5.9	$ 92.4	$ 142.6	$ -	$ 19.0	$ 90.4	$ 78.7
Capital Lease - FY 2007	5.3	-	1.2	-	2.7	0.8	-	-	0.6
Total FY 2007	**$ 434.6**	**$ 0.3**	**$ 7.1**	**$ 92.4**	**$ 145.3**	**$ 0.8**	**$ 19.0**	**$ 90.4**	**$ 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	**$ 226.6**	**$ 1.6**	**$ 7.3**	**$ 19.3**	**$ 79.9**	**$ 0.3**	**$ 2.4**	**$ 75.8**	**$ 40.0**
Total FY 2003	**$ 220.5**	**$ 2.6**	**$ 5.2**	**$ 20.3**	**$ 66.3**	**$ 0.5**	**$ 2.4**	**$ 81.1**	**$ 42.2**
Due within one year - FY 2007	**$ 17.5**	**$ 0.1**	**$ 0.9**	**$ 2.3**	**$ 6.5**	**$ 0.2**	**$ 0.1**	**$ 5.0**	**$ 2.4**

NOTE: Numbers may not add due to rounding

Appendix 1: Summary of Data
Table 5

Mississippi's Institutions of Higher Learning
As of June 30, 2003, 2004, 2006, 2006 and 2007
Institutional Ratios

Current Ratio	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	2.92	2.49	2.81	1.85	3.64	3.47	2.68	4.09	2.45
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	3.27	9.17	2.64	3.68	2.86	2.35	4.73	3.94	2.30

Net Operating Ratio	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	0.06	0.01	0.05	0.08	0.04	0.04	0.04	0.06	0.11
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

Viability Ratio	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	1.24	4.43	1.54	0.58	1.31	25.37	2.31	1.19	0.98
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	0.80	55.00	0.85	0.12	0.66	9.13	0.19	1.54	0.84

Primary Reserve Ratio	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	0.11	0.18	0.11	0.08	0.07	0.13	0.21	0.16	0.09
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

Debt Burden Ratio	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	0.03	0.03	0.02	0.03	0.02	0.01	0.01	0.05	0.02
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

Debt Coverage Ratio	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	4.78	15.97	3.87	1.24	5.07	16.81	38.86	3.56	4.53
FY 2004	3.91	(4.87)	2.93	3.76	4.03	(8.26)	(10.82)	2.80	8.65
FY 2005	2.83	3.80	1.69	7.72	2.16	18.00	(12.00)	3.85	1.35
FY 2006	2.93	24.79	0.60	0.71	2.31	(3.63)	5.94	6.03	0.69
FY 2007	2.97	40.50	2.71	2.38	2.01	(9.91)	6.50	5.04	2.90

Student Tuition Receivable to Net Tuition & Fees before Allowance for Doubtful Accounts	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	16.5%	107.4%	15.6%	47.4%	15.2%	19.4%	18.0%	4.0%	6.0%
FY 2004	17.6%	96.7%	13.1%	47.6%	13.9%	35.7%	30.7%	8.0%	6.1%
FY 2005	17.5%	79.0%	14.0%	45.8%	14.6%	26.7%	35.7%	5.4%	9.0%
FY 2006	18.5%	77.3%	14.4%	55.8%	14.8%	28.1%	41.6%	6.4%	9.7%
FY 2007	19.3%	79.4%	17.5%	74.2%	16.1%	26.1%	38.5%	5.7%	8.0%

Student Tuition Receivable to Net Tuition & Fees after Allowance for Doubtful Accounts	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	7.3%	37.2%	12.3%	4.8%	10.4%	9.7%	11.4%	2.6%	4.3%
FY 2004	7.3%	17.2%	7.4%	8.1%	8.6%	18.3%	23.1%	3.6%	4.4%
FY 2005	7.7%	13.2%	8.4%	11.7%	9.1%	15.0%	27.0%	1.3%	6.6%
FY 2006	8.3%	20.5%	10.2%	11.2%	8.8%	15.6%	31.0%	2.6%	7.1%
FY 2007	9.6%	25.0%	13.3%	27.0%	10.5%	13.0%	27.4%	2.3%	5.6%

Change in Allowance for Doubtful Accounts to Prior Year's Net Tuition & Fees	System Average	ASU	DSU	JSU	MSU	MUW	MVSU	UM	USM
FY 2003	0.7%	1.5%	0.3%	1.2%	0.4%	6.1%	0.6%	0.9%	0.0%
FY 2004	0.6%	0.0%	2.4%	1.1%	0.4%	0.8%	0.5%	1.0%	0.0%
FY 2005	0.6%	0.0%	0.3%	0.8%	0.5%	2.2%	0.6%	0.3%	0.8%
FY 2006	0.3%	0.0%	-0.9%	0.6%	0.4%	1.5%	1.7%	0.3%	0.0%
FY 2007	0.3%	0.0%	0.8%	1.9%	0.0%	1.6%	0.9%	-0.1%	0.0%

Appendix 1: Summary of Data
Table 6

Mississippi Institutional Educational & General Revenue					
(in millions)					
5 Year Summary					
Description	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Tuition (Gross)	$ 286.6	$ 295.6	$ 319.2	$ 334.0	$ 360.5
State Appropriations	392.0	405.5	$ 410.2	409.6	$ 455.7
Other	52.0	52.4	$ 56.7	56.3	$ 65.5
Total	**$ 730.6**	**$ 753.5**	**$ 786.1**	**$ 799.9**	**$ 881.7**

Proportion of Total					
Description	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Tuition (Gross)	39.2%	39.2%	40.6%	41.8%	40.9%
State Appropriations	53.7%	53.8%	52.2%	51.2%	51.7%
Other	7.1%	7.0%	7.2%	7.0%	7.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Annual Percent Change				
Description	**FY 2003 to FY 2004**	**FY 2004 to FY 2005**	**FY 2005 to FY 2006**	**FY 2006 to FY 2007**
Tuition (Gross)	3.2%	8.0%	4.6%	7.9%
State Appropriations	3.4%	1.2%	-0.1%	11.3%
Other	0.7%	8.3%	-0.7%	16.3%
Total	**3.1%**	**4.3%**	**1.8%**	**10.2%**

5 Year Percent Change		
Description	**$ Change from FY 2003 to FY 2007**	**% Change from FY 2003 to FY 2007**
Tuition (Gross)	$ 73.9	25.8%
State Appropriations	63.7	16.3%
Other	13.5	26.0%
Total	**$ 151.1**	**20.7%**

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 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Instruction	$ 259.8	$ 286.4	$ 303.1	$ 311.3	$ 337.8
Research	59.9	53.3	52.4	53.6	59.3
Public Service	48.9	50.8	50.3	48.3	52.3
Academic Support	67.7	67.9	69.1	77.6	80.2
Student Services	41.9	44.0	45.2	49.1	54.1
Institutional Support	76.7	78.3	84.8	83.2	94.2
Operation & Maintenance	67.4	71.4	81.0	91.4	92.6
Scholarships & Fellowships	46.0	48.2	52.5	50.6	59.8
Other and Mandatory Transfers	15.8	15.1	18.2	14.3	11.8
Total	**$ 684.1**	**$ 715.4**	**$ 756.6**	**$ 779.4**	**$ 842.1**

Proportion of Total					
Description	**FY 2004**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Instruction	38.0%	40.0%	40.1%	39.9%	40.1%
Research	8.8%	7.5%	6.9%	6.9%	7.0%
Public Service	7.1%	7.1%	6.6%	6.2%	6.2%
Academic Support	9.9%	9.5%	9.1%	10.0%	9.5%
Student Services	6.1%	6.2%	6.0%	6.3%	6.4%
Institutional Support	11.2%	10.9%	11.2%	10.7%	11.2%
Operation & Maintenance	9.9%	10.0%	10.7%	11.7%	11.0%
Scholarships & Fellowships	6.7%	6.7%	6.9%	6.5%	7.1%
Other & Mandatory Transfers	2.3%	2.1%	2.4%	1.8%	1.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Annual Percent Change				
Description	**FY 2003 to FY 2004**	**FY 2004 to FY 2005**	**FY 2005 to FY 2006**	**FY 2006 to FY 2007**
Instruction	10.2%	5.8%	2.7%	8.5%
Research	-11.0%	-1.7%	2.3%	10.6%
Public Service	3.8%	-0.9%	-4.0%	8.3%
Academic Support	0.2%	1.8%	12.3%	3.4%
Student Services	5.1%	2.6%	8.6%	10.2%
Institutional Support	2.1%	8.3%	-1.9%	13.2%
Operation & Maintenance	6.0%	13.4%	12.8%	1.3%
Scholarships & Fellowships	4.8%	8.9%	-3.6%	18.2%
Other & Mandatory Transfers	-4.4%	20.5%	-21.4%	-17.5%
Total	**4.6%**	**5.8%**	**3.0%**	**8.0%**

5 Year Percent Change		
Description	**$ Change from FY 2003 to FY 2007**	**% Change from FY 2003 to FY 2007**
Instruction	$ 78.0	30.0%
Research	(0.6)	-1.0%
Public Service	3.4	7.0%
Academic Support	12.5	18.5%
Student Services	12.2	29.1%
Institutional Support	17.5	22.8%
Operation & Maintenance	25.2	37.4%
Scholarships & Fellowships	13.8	30.0%
Other & Mandatory Transfers	(4.0)	-25.3%
Total	**$ 158.0**	**23.1%**

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, 2007, the total assets were $119.5 million, compared to $99.1 million on June 30, 2006, an increase of $20.4 million.

Liabilities decreased to $6.7 million as of June 30, 2007, from $7.9 million on June 30, 2006, an decrease of $1.2 million. Debt was only four 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 $112.8 million on June 30, 2007, and $91.2 million on June 30, 2006. The $21.6 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

ASU's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2007, the university generated revenues of $112.8 million from all sources and all funds. State Appropriations (39 percent) and Contracts and Grants (26 percent) made up the largest categories of revenue for the university. Tuition revenue was equal to 8 percent.

ASU expended $91.8 million in Fiscal Year 2007. 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 41 percent ($37.4 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 23 percent of the dollars expended ($20.8 million). Utilities expense remained unchanged during Fiscal Year 2007 ($3.5 million in total).

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 (38 percent) and State Appropriations (59 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007, tuition revenue increased by $3.3 million as a result of enrollment *and* tuition increases. State appropriations have increased 16.3 percent since Fiscal Year 2003, but only $3.6 million in total. These appropriations include funding earmarked for the *Ayers* Settlement. Total E&G revenues for Fiscal Year 2007 were $43.7 million.

During Fiscal Year 2007, approximately 42 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $3.2 million, or 22.1 percent, from Fiscal Year 2003 to Fiscal Year 2007. Expenses attributable to the instruction function during Fiscal Year 2007 increased by $1.2 million (7.3 percent) over Fiscal Year 2006. Operations and Maintenance expense increased $1.2 million in Fiscal Year 2007. This was primarily the result of a staff pay raises issued to buildings and ground personnel, as well as increased repairs and renovation costs on campus facilities during the year. The total E&G expenses for Fiscal Year 2007 were $42.3 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 3.77 on June 30, 2006, and 9.17 on June 30, 2007. This increase means that assets proportionally grew more than liabilities. Specifically, the current ratio of 9.17 implies that the institution had assets to cover 917 percent of its current liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .05 on June 30, 2006, but decreased to .03 on June 30, 2007. This ratio indicates that the university ended both years with a surplus. Any positive number means the university ended the year with a surplus. The rule of thumb for this ratio is between .02 and .04.

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, 2006, was 24.6, and for June 30, 2007, the ratio was 55.0. The increasing trend indicates that the university's liquidity position strengthened significantly during Fiscal Year 2007, probably due to a significant reduction in debt. ASU has very little debt – less than $500,000. 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 .23 on June 30, 2006, and .25 on June 30, 2007. Net assets 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 net assets to grow at the same growth rate as expenses. This was the case at ASU. A ratio of .25 means an institution could operate for approximately three months before relying on new resources. Since Fiscal Year 2004 ASU's performance has increased steadily. The reserve is healthy at .25. ASU's ratio remains 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 percent (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7 percent of operating expenses. The university spent less than 1 percent on debt, which is well below the 7 percent threshold. ASU relies very little on debt.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. ASU's ratio was very strong at 40.5 for Fiscal Year 2007.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007, the percentage was 79.4 percent, up from 77.3 percent in Fiscal Year 2006. The higher percentage was a result of old, outstanding student accounts receivables. ASU has reduced this significantly since Fiscal Year 2003. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) was considered, the percentage dropped from 79.4 percent to 25.0 percent. This percentage increased slightly due to an increase in the year end student receivable balance at June 30, 2007. ASU should continue monitoring the collection of receivables.

Another ratio measurement an institution can use to evaluate its collection effort is the Change in the Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition. This relationship has held constant since Fiscal Year 2003.

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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 15.5	$ 14.3	$ 17.6	$ 19.8	$ 23.0	$ 3.2	16.2%	48.2%
Capital Assets	73.1	74.9	74.6	75.3	90.7	15.4	20.5%	24.1%
Other Non-Current Assets	2.7	2.4	1.0	4.0	5.8	1.8	45.0%	114.8%
Total Assets	**$ 91.3**	**$ 91.6**	**$ 93.2**	**$ 99.1**	**$ 119.5**	**$ 20.4**	**20.6%**	**30.9%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 7.0	$ 5.7	$ 5.7	$ 6.0	$ 5.1	$ (0.9)	-15.0%	-27.1%
Non-Current Liabilities	2.5	2.0	2.1	1.9	1.6	(0.3)	-15.8%	-36.0%
Net Assets	81.5	83.9	85.4	91.2	112.8	21.6	23.7%	38.4%
Total Liabilities and Net Assets	**$ 91.0**	**$ 91.6**	**$ 93.2**	**$ 99.1**	**$ 119.5**	**$ 20.4**	**20.6%**	**31.3%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $6.0 m, $5.9 m, $6.2 m, $6.8 m & $7.6 m respectively)	$ 7.1	$ 6.2	$ 7.6	$ 8.7	$ 9.2	$ 0.5	5.7%	29.6%
State Appropriations - Operations & Capital	22.1	23.9	27.0	30.5	43.6	13.1	43.0%	97.3%
Grants and Contracts	22.3	21.4	22.3	21.8	29.7	7.9	36.2%	33.4%
Auxiliary Enterprises - Net	4.7	4.8	4.9	6.5	7.2	0.7	10.8%	52.2%
Patient Fees	-	-	-	-	-	-		
Other	8.5	7.7	2.7	3.7	23.1	19.4	524.3%	171.8%
Total Revenues	**$ 64.7**	**$ 64.1**	**$ 64.5**	**$ 71.2**	**$ 112.8**	**$ 41.6**	**58.4%**	**74.4%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 33.7	$ 34.6	$ 36.3	$ 35.9	$ 37.4	$ 1.5	4.2%	11.1%
Travel	2.0	1.9	1.9	1.8	2.1	0.3	16.7%	3.7%
Contractual Services & Commodities	14.6	13.9	14.3	14.6	20.8	6.2	42.5%	42.9%
Utilities	2.3	2.3	2.9	3.5	3.5	-	0.0%	49.5%
Scholarships and Fellowships	4.1	4.7	4.4	5.5	6.0	0.5	9.1%	44.8%
Depreciation	3.2	3.2	3.1	3.1	3.9	0.8	25.8%	21.8%
Interest on Capital Assets	-	-	-	-	-	-		
Other	1.3	0.8	0.3	0.3	18.1	17.8	5933.3%	1285.2%
Total Expenses	**$ 61.2**	**$ 61.2**	**$ 63.2**	**$ 64.7**	**$ 91.8**	**$ 27.1**	**41.9%**	**49.9%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ 0.9	$ 0.8	$ 0.6	$ 0.5	$ 0.3	$ (0.2)	-40.0%	-66.7%
Capital Leases	1.7	0.8	0.1	-	-	-		-100.0%
Total Debt	**$ 2.6**	**$ 1.6**	**$ 0.7**	**$ 0.5**	**$ 0.3**	**$ (0.2)**	**-40.0%**	**-88.5%**
Investments	**$ 5.1**	**$ 5.1**	**$ 5.1**	**$ 6.7**	**$ 8.1**	**$ 1.4**	**20.9%**	**58.8%**
Investment Income	**$ -**	**$ -**	**$ 0.1**	**$ 0.1**	**$ 0.3**	**$ 0.2**	**200.0%**	

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

Appendix 2: Institutional Highlights
Table 2

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

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 13.1	$ 12.1	13.8	$ 15.6	$ 16.4	$ 0.8	5.13%	25.2%
State Appropriations	22.1	23.9	23.1	24.2	25.7	1.5	6.20%	16.3%
Other	1.4	2.2	2.4	1.6	1.6	-	0.00%	14.3%
Total Revenue	**$ 36.6**	**$ 38.2**	**39.3**	**$ 41.4**	**$ 43.7**	**$ 2.3**	**5.56%**	**19.4%**
2003 constant dollars	**$ 35.5**	**$ 35.7**	**$ 35.7**	**$ 36.5**	**$ 37.4**	**$ 0.9**	**2.33%**	**5.3%**
2003 constant dollars per FTE[4]	**$ 11,368**	**$ 11,497**	**$ 11,379**	**$ 11,534**	**$ 11,596**	**$ 63**	**0.54%**	**2.0%**

Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 14.5	$ 15.9	$ 16.1	$ 16.5	$ 17.7	$ 1.2	7.27%	22.1%
Research	1.1	1.0	0.9	0.9	1.2	0.3	33.3%	9.1%
Public Service	2.8	2.9	2.6	2.4	2.2	(0.2)	-8.3%	-21.4%
Academic Support	1.9	2.0	2.4	2.4	2.7	0.3	12.5%	42.1%
Student Services	3.2	3.3	3.4	3.8	3.6	(0.2)	-5.3%	12.5%
Institutional Support	3.7	4.0	4.8	4.3	4.5	0.2	4.7%	21.6%
Operation & Maintenance	4.3	3.5	3.5	4.2	5.4	1.2	28.6%	25.6%
Scholarships & Fellowships	4.0	4.3	4.7	4.7	4.9	0.2	4.3%	22.5%
Other & Mandatory Transfers	0.6	0.6	0.5	0.2	0.1	(0.1)	-50.0%	-83.3%
Total Expenses	**$ 36.1**	**$ 37.6**	**$ 38.9**	**$ 39.4**	**$ 42.3**	**$ 2.9**	**7.4%**	**17.2%**
2003 constant dollars	**$ 35.0**	**$ 35.2**	**$ 35.4**	**$ 34.8**	**$ 36.2**	**$ 1.4**	**4.08%**	**3.3%**
2003 constant dollars per FTE[4]	**$ 11,213**	**$ 11,314**	**$ 11,263**	**$ 10,976**	**$ 11,225**	**$ 248**	**2.26%**	**0.1%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	2.49	2.87	2.31	3.77	9.17	5.40	143.3%	268.4%
Net Operating Ratio (measures financial performance)	0.01	0.01	0.01	0.05	0.03	(0.02)	-40.0%	200.0%
Viability Ratio (measures relative liquidity)	4.43	5.36	13.43	24.60	55.00	30.40	123.6%	1141.5%
Primary Reserve Ratio (measures financial strength)	0.18	0.16	0.16	0.23	0.25	0.02	8.7%	38.9%
Debt Burden Ratio (measures dependence on debt)	0.03	0.02	0.02	0.01	0.00	(0.01)	-100.0%	-100.0%
Debt Coverage Ratio (measures excess income to cover debt)	15.97	(4.87)	3.80	24.79	40.50	15.71	63.4%	153.6%
Student Tuition Receivables to Net Tuition & Fees	107.4%	96.7%	79.0%	77.3%	79.4%	2.1%	2.7%	-26.1%
Student Tuition Receivables to Net Tuition & Fees after allowance	37.2%	17.2%	13.2%	20.5%	25.0%	4.6%	22.2%	-32.8%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%		-100.0%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 0.9	$ 0.1	12.5%	12.5%
Construction in Progress	7.1	7.7	8.9	4.6	22.0	17.40	378.3%	209.9%
Buildings	59.2	61.2	60.2	65.4	63.2	(2.20)	-3.4%	6.8%
Improvements other than Buildings	2.0	1.9	2.5	2.3	3.2	0.90	39.1%	60.0%
Equipment	2.5	1.9	0.7	0.6	(0.1)	(0.70)	-116.7%	-104.0%
Library Books	1.3	1.3	1.4	1.4	1.5	0.10	7.1%	15.4%
Livestock	0.1	0.1	0.1	-	-	-	#DIV/0!	-100.0%
Total Capital Assets	**$ 73.0**	**$ 74.9**	**$ 74.6**	**$ 75.1**	**$ 90.7**	**$ 15.6**	**20.8%**	**24.2%**
Historical Cost	**$ 115.6**	**$ 120.6**	**$ 123.4**	**$ 127.2**	**$ 146.6**	**$ 19.4**	**15.3%**	**26.8%**

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, 2007, the total assets were equal to $102.0 million, compared to $97.0 million, on June 30, 2006, a decrease of $5.0 million.

Liabilities decreased to $12.4 million as of June 30, 2007, from $13.2 million on June 30, 2006, a decrease of $800,000. Debt was approximately $7.1 million (57 percent) 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 $89.6 million on June 30, 2007, and $83.8 million on June 30, 2006. The $5.8 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
DSU's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2007, the university generated revenue of $65.9 million from all sources and all funds. When compared to all revenues, State Appropriations (46 percent) and Contracts and Grants (13 percent) made up some of the largest categories of revenue for the university. Tuition revenue was 22 percent.

DSU expended $60.5 million in Fiscal Year 2007. 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 percent ($32.8 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 22 percent of the dollars expended ($13.3 million for contractual services and commodities). Student Scholarships and Fellowships expense increased nearly 48 percent during Fiscal Year 2007 (to $5.3 million in total).

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 percent) and State Appropriations (55 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007 tuition revenue increased by $4.1 million as a result of enrollment *and* tuition increases. State appropriations have increased approximately 11.9 percent since Fiscal Year 2003, but its 2007 level ($22.6 million) is still only $2.4 million more than its 2003 level ($20.2 million). Total E&G revenues for Fiscal Year 2007 were $40.8 million.

During Fiscal Year 2007, approximately 39 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $2.3 million, or 17.0 percent, from Fiscal Year 2003 to Fiscal Year 2007. Expenses attributable to the instruction function during Fiscal Year 2007 increased by $600,000 (4.0 percent) over Fiscal Year 2006. Academic Support expense increased $700,000 in Fiscal Year 2007. This represented a 17.1% increase over its 2006 level. This was primarily the result of staff pay increases for academic support personnel as well as increased I.T. consulting costs. Total E&G expenses for Fiscal Year 2007 were $40.5 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 <u>Current Ratio</u> measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 2.20 on June 30, 2006, and 2.64 on June 30, 2007. The change means that assets proportionally grew more than liabilities. Specifically, the current ratio of 2.64 implies that the institution had assets to cover 264 percent of its current liabilities. The rule of thumb (non-industry specific) for this ratio is should be 2:1, or 2.0. DSU was above this ratio.

The <u>Net Operating Ratio</u> measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was <.02> on June 30, 2006, but increased to a positive 0.3 on June 30, 2007. This ratio indicated that the university ended Fiscal Year 2007 with an operating surplus. Any positive number means the university ended the year with a surplus; however, the rule of thumb is between .02 and .04.

The <u>Viability Ratio</u> 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, 2006, was .68, and for June 30, 2007, the ratio was .85. The increasing trend indicates that the university's liquidity position strengthened slightly during Fiscal Year 2007 due to a decrease in debt. DSU had $7.1 million in debt down from $8.0 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 .04 on June 30, 2006, and .05 on June 30, 2007. 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 net assets to grow at the same growth rate as expenses. A ratio of .05 means the institution could operate for approximately one month without reliance on new resources. Fiscal Year 2007's increase reversed a three year declining trend for 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 threshold for the Debt Burden Ratio at 7 percent (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7 percent of operating expenses. The university spent approximately 3 percent (a ratio of .03) on debt, which is well below the 7 percent threshold. DSU does not significantly rely on debt.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. DSU's ratio was strong at 2.71 for Fiscal Year 2007. This ratio is at its healthiest point since 2004.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio indicates the institution is not collecting student tuition receivables timely. For Fiscal Year 2007, DSU's percentage was 17.5 percent, up from 14.4 percent in Fiscal Year 2006. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) was considered, the percentage dropped to 13.3 percent. This percentage has increased from it lowest point in Fiscal Year 2004 of 7.4 percent. DSU should continue monitoring the collection of receivables.

Another ratio measurement an institution can use to evaluate its collection efforts is the Change in the Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition. The relationship increased to a 0.8 percent in Fiscal Year 2007. It had previously held constant except for a peak in Fiscal Year 2004 to 2.4 percent.

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 3

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

Statement of Net Assets

Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 8.5	$ 7.6	$ 8.0	$ 6.5	$ 6.3	$ (0.2)	-3.1%	-25.9%
Capital Assets	69.0	73.9	78.6	81.2	85.4	$ 4.2	5.2%	23.8%
Other Non-Current Assets	12.6	15.8	13.1	9.3	10.3	$ 1.0	10.8%	-18.3%
Total Assets	**$ 90.1**	**$ 97.3**	**$ 99.7**	**$ 97.0**	**$ 102.0**	**$ 5.0**	**5.2%**	**13.2%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 3.6	$ 4.0	$ 5.1	$ 4.6	$ 4.7	$ 0.1	2.2%	30.6%
Non-Current Liabilities	6.6	8.6	9.6	8.6	7.7	(0.9)	-10.5%	16.7%
Net Assets	79.9	84.6	85.0	83.8	89.6	5.8	6.9%	12.1%
Total Liabilities and Net Assets	**$ 90.1**	**$ 97.3**	**$ 99.7**	**$ 97.0**	**$ 102.0**	**$ 5.0**	**5.2%**	**13.2%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $3.9 m, $3.8 m, $4.7 m, $5.0 & $4.0 m respectively)	$ 10.1	$ 10.2	$ 10.7	$ 11.8	$ 14.3	$ 2.5	21.2%	41.6%
State Appropriations - Operations & Capital	25.0	27.4	25.9	26.0	30.0	4.0	15.4%	20.0%
Grants and Contracts	11.6	12.9	13.6	13.2	8.5	(4.7)	-35.6%	-26.7%
Auxiliary Enterprises - Net	7.0	5.3	5.6	5.5	6.3	0.8	14.5%	-10.0%
Patient Fees	-	-	-	-	-	-		
Other	8.6	1.8	2.6	2.6	6.8	4.2	161.5%	-20.9%
Total Revenues	**$ 62.3**	**$ 57.4**	**$ 58.4**	**$ 59.1**	**$ 65.9**	**$ 6.8**	**11.5%**	**5.8%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 29.1	$ 30.5	$ 30.8	$ 30.8	$ 32.8	$ 2.0	6.5%	12.7%
Travel	0.8	0.9	1.0	1.2	1.4	0.2	16.7%	75.0%
Contractual Services & Commodities	9.9	10.2	11.8	12.2	13.3	1.1	9.0%	34.3%
Utilities	2.0	2.6	2.7	3.9	3.0	(0.9)	-23.1%	50.0%
Scholarships and Fellowships	3.4	3.7	3.4	3.6	5.3	1.7	47.2%	55.9%
Depreciation	2.6	2.5	1.9	1.9	2.8	0.9	47.4%	7.7%
Interest on Capital Assets	0.3	0.3	0.5	0.5	0.4	(0.1)	-20.0%	33.3%
Other	8.4	1.9	3.2	6.2	1.5	(4.7)	-75.8%	-82.1%
Total Expenses	**$ 56.5**	**$ 52.7**	**$ 55.3**	**$ 60.3**	**$ 60.5**	**$ 0.2**	**0.3%**	**7.1%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ 4.5	$ 6.8	$ 6.4	$ 6.1	$ 5.9	$ (0.2)	-3.3%	31.1%
Capital Leases	0.7	0.5	2.6	1.9	1.2	$ (0.7)	-36.8%	71.4%
Total Debt	**$ 5.2**	**$ 7.3**	**$ 9.0**	**$ 8.0**	**$ 7.1**	**$ (0.9)**	**-11.3%**	**36.5%**
Investments	**$ 12.9**	**$ 15.3**	**$ 12.0**	**$ 8.4**	**$ 9.3**	**$ 0.9**	**10.7%**	**-27.9%**
Investment Income	**$ 0.4**	**$ 0.3**	**$ 0.6**	**$ 0.2**	**$ 0.8**	**$ 0.6**	**300.0%**	**100.0%**

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

Appendix 2: Institutional Highlights
Table 4

Delta State University

Financial Highlights - Education and General
(in millions)

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 12.8	$ 12.9	$ 14.2	$ 15.4	$ 16.9	$ 1.5	9.74%	32.0%
State Appropriations	20.2	20.3	20.8	20.5	22.6	2.1	10.24%	11.9%
Other	1.2	1.1	1.5	1.5	1.3	(0.2)	-13.33%	8.3%
Total Revenue	**$ 34.2**	**$ 34.3**	**$ 36.5**	**$ 37.4**	**$ 40.8**	**$ 3.4**	**9.09%**	**19.3%**
2003 constant dollars	**$ 33.2**	**$ 32.1**	**$ 33.2**	**$ 33.0**	**$ 34.9**	**$ 1.9**	**5.76%**	**5.2%**
2003 constant dollars per FTE[4]	**$ 9,768**	**$ 9,692**	**$ 9,826**	**$ 9,667**	**$ 10,126**	**$ 459**	**4.75%**	**3.7%**
Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 13.5	$ 13.8	$ 14.5	$ 15.2	$ 15.8	$ 0.6	3.95%	17.0%
Research	-	0.0	0.0	-	-	-	#DIV/0!	#DIV/0!
Public Service	0.8	1.0	0.8	0.8	0.8	-	0.0%	0.0%
Academic Support	3.9	4.3	4.4	4.1	4.8	0.7	17.1%	23.1%
Student Services	3.2	3.4	3.6	3.8	3.9	0.1	2.6%	21.9%
Institutional Support	3.8	3.6	4.2	4.5	4.8	0.3	6.7%	26.3%
Operation & Maintenance	3.5	4.0	4.6	5.6	5.4	(0.2)	-3.6%	54.3%
Scholarships & Fellowships	2.8	2.9	3.4	3.1	3.5	0.4	12.9%	25.0%
Other & Mandatory Transfers	0.8	1.0	0.7	0.9	1.5	0.6	66.7%	87.5%
Total Expenses	**$ 32.3**	**$ 34.1**	**$ 36.2**	**$ 38.0**	**$ 40.5**	**$ 2.5**	**6.6%**	**25.4%**
2003 constant dollars	**$ 31.3**	**$ 31.9**	**$ 32.9**	**$ 33.5**	**$ 34.6**	**$ 1.1**	**3.33%**	**10.6%**
2003 constant dollars per FTE[4]	**$ 9,225**	**$ 9,636**	**$ 9,748**	**$ 9,822**	**$ 10,052**	**$ 229**	**2.34%**	**9.0%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	2.81	2.61	2.31	2.20	2.64	0.44	20.0%	-6.0%
Net Operating Ratio (measures financial performance)	0.05	0.01	0.01	-0.02	0.03	0.05	-250.0%	-40.0%
Viability Ratio (measures relative liquidity)	1.54	0.97	0.77	0.68	0.85	0.17	25.0%	-44.8%
Primary Reserve Ratio (measures financial strength)	0.11	0.09	0.08	0.04	0.05	0.01	25.0%	-54.5%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.03	0.03	0.03	-	0.0%	50.0%
Debt Coverage Ratio (measures excess income to cover debt)	3.87	2.93	1.69	0.60	2.71	2.11	351.7%	-30.0%
Student Tuition Receivables to Net Tuition & Fees	15.56%	13.05%	14.00%	14.4%	17.5%	3.1%	21.3%	12.3%
Student Tuition Receivables to Net Tuition & Fees after allowance	12.31%	7.41%	8.40%	10.2%	13.3%	3.1%	30.7%	8.0%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	0.3%	2.4%	0.3%	-0.9%	0.8%	1.7%	-188.9%	166.7%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 0.9	$ 0.9	$ 0.9	$ 0.9	$ 0.9	$ -	0.0%	0.0%
Construction in Progress	4.7	11.4	6.0	1.0	6.8	5.80	580.0%	44.7%
Buildings	55.7	54.2	63.8	70.2	69.4	(0.80)	-1.1%	24.6%
Improvements other than Buildings	3.0	2.8	2.6	3.7	3.1	(0.60)	-16.2%	3.3%
Equipment	2.6	2.3	3.0	3.0	2.8	(0.20)	-6.7%	7.7%
Library Books	2.2	2.3	2.3	2.4	2.5	0.10	4.2%	13.6%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 69.1**	**$ 73.9**	**$ 78.6**	**$ 81.2**	**$ 85.5**	**$ 4.3**	**5.3%**	**23.7%**
Historical Cost	**$ 104.0**	**$ 111.4**	**$ 118.1**	**$ 122.6**	**$ 129.6**	**$ 7.0**	**5.7%**	**24.6%**

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, 2007, the total assets were almost $289.7 million, compared to $281.8 million on June 30, 2006, a increase of $7.9 million.

Liabilities decreased to $106.3 million as of June 30, 2007, from $99.1 million on June 30, 2006, a increase of $7.2 million. Debt was approximately $92.4 million (87 percent) of the liabilities. Debt increased by $9.6 million from Fiscal Year 2006.

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 $183.4 million on June 30, 2007, and $182.7 million on June 30, 2006. The $700,000 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 2007, the university generated revenue of $180.9 million from all sources and all funds. When compared to all revenues, State Appropriations (35 percent) and Contracts and Grants (37 percent) made up the largest categories of revenue for the system. Tuition revenue was 14 percent.

JSU expended $180.3 million in Fiscal Year 2007. 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 51 percent ($92.3 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 23 percent of the dollars expended ($41.5 million for contractual services and commodities). Other expenditures increased nearly $10.2 million in Fiscal Year 2007. This increase was primarily due to the capitalization of campus facilities construction expenditures..

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 percent) and State Appropriations (50 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007 tuition revenue increased by $9.0 million as a result of enrollment *and* tuition increases. State appropriations increased approximately 16.5 percent since Fiscal Year 2003, but only $6.9 million in total. These appropriations include funding earmarked for the *Ayers* Settlement. Total E&G revenues for Fiscal Year 2007 were $96.3 million.

During Fiscal Year 2007, approximately 40 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $7.1 million, or 23.0 percent from Fiscal Year 2003 to Fiscal Year 2007. *Ayers* settlement funding accounts for some of this increase. Expenses attributable to the instruction function during Fiscal Year 2007 increased by $2.3 million (6.4 percent) over Fiscal Year 2006. Total E&G expenses for Fiscal Year 2007 were 94.5 million. Institutional Support expenses increased 8.7 percent, or $1.4 million in Fiscal Year 2007. Student Service expenses increased 28.1 percent, or $2.7 million in Fiscal Year 2007. A reclassification of the Walter Payton Health and Wellness Center operational costs to the general fund during 2007 was the main contributor to this overall increase in student service costs. Operation and Maintenance expenses decreased $1.6 million in Fiscal Year 2007, primarily due to the universities energy management efficiency programs.

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 <u>Current Ratio</u> measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 4.95 on June 30, 2006, and 3.68 on June 30, 2007. The slight decrease in ratio means liabilities grew slightly greater in proportion to asset growth. Specifically, the current ratio of 3.68 implies that the institution had assets to cover 368 percent of its current liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. JSU is well above this amount.

The <u>Net Operating Ratio</u> measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was <.02> on June 30, 2006, and a positive .02 on June 30, 2007. The ratios indicated that the university ended Fiscal Year 2007 with an operating surplus. The 2007 ratio increase reversed a three year trend of declining values. Any positive number means the university ended the year with a surplus; however, the rule of thumb is between .02 and .04.

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, 2006, was .15, and for June 30, 2007, the ratio was .12. The slight decrease indicates that the university's liquidity position weakened slightly during Fiscal Year 2007, probably due to the increase in debt. JSU had $92.4 million in debt, up from $82.8 million the previous year. 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 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 .04 on June 30, 2006, and .07 on June 30, 2007. Net assets 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 net assets to grow at the same growth rate as expenses. A ratio of .07 means the institution could operate for almost one month 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 percent (or a ratio of .07) meaning current principal and interest expenses should not be greater than 7 percent of operating expenses. The university spent approximately 3 percent (a ratio of .03) on debt which is well below the 7 percent threshold. 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 income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. JSU's ratio improved significantly during Fiscal Year 2007, up to 2.38.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007 the percentage was 74.2 percent, up significantly from 55.8 percent in Fiscal Year 2006. This ratio has increased every year since Fiscal Year 2003, when it was at its lowest at 47.4 percent. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) was considered, the percentage dropped to 27.0 percent. These percentages appear to be a significant concern for the university. The amount that students owe the university at year end continues to grow. This could simply be a sign of more expensive tuition, room and board charges. But it also could signify a growing weakness in student receivable collections. JSU should continue monitoring the collection of receivables.

Another ratio measurement 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. The relationship for JSU was relatively low at 1.9 percent. The year end allowance estimate of uncollectible student receivables has grown annually since Fiscal Year 2003. At June 30, 2007, this allowance was equal to $12.1 million. In comparison, the allowance was equal to $10.9 million on June 30, 2003.

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, 2003**	**June 30, 2004**	**June 30, 2005**	**June 30, 2006**	**June 30, 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Current Assets	$ 39.6	$ 36.9	$ 110.2	$ 71.3	$ 35.4	$ (35.9)	-50.4%	-10.6%
Capital Assets	133.3	144.4	154.5	191.6	213.1	21.5	11.2%	59.9%
Other Non-Current Assets	35.5	35.3	12.7	18.9	41.2	22.3	118.0%	16.1%
Total Assets	**$ 208.4**	**$ 216.5**	**$ 277.4**	**$ 281.8**	**$ 289.7**	**$ 7.9**	**2.8%**	**39.0%**
Liabilities and Net Assets	**June 30, 2003**	**June 30, 2004**	**June 30, 2005**	**June 30, 2006**	**June 30, 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Current Liabilities	$ 16.4	$ 16.1	$ 10.1	$ 15.2	$ 13.2	$ (2.0)	-13.2%	-19.5%
Non-Current Liabilities	22.3	21.0	85.3	83.9	93.1	9.2	11.0%	316.9%
Net Assets	169.8	179.4	182.0	182.7	183.4	0.7	0.4%	8.0%
Total Liabilities and Net Assets	**$ 208.5**	**$ 216.5**	**$ 277.4**	**$ 281.8**	**$ 289.7**	**$ 7.9**	**2.8%**	**38.9%**
Revenues and Expenses								
Revenues	**Fiscal Year 2003**	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Tuition (net of scholarship allowance of $5.2 m, $5.2 m, $5.3 m, $14.6 & $14.8 m respectively)	$ 25.6	$ 28.3	$ 33.4	$ 26.0	$ 25.6	$ (0.4)	-1.5%	0.0%
State Appropriations - Operations & Capital	56.9	54.0	51.2	53.7	64.0	10.3	19.2%	12.5%
Grants and Contracts	51.8	61.8	63.2	61.2	66.8	5.6	9.2%	29.0%
Auxiliary Enterprises - Net	9.5	8.7	9.9	11.3	11.5	0.2	1.8%	21.1%
Patient Fees	-	-	-	-	-	-		
Other	36.0	23.0	7.9	12.6	13.0	0.4	3.2%	-63.9%
Total Revenues	**$ 179.8**	**$ 175.8**	**$ 165.6**	**$ 164.8**	**$ 180.9**	**$ 16.1**	**9.8%**	**0.6%**
Expenses	**Fiscal Year 2003**	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Salaries, Wages, and Fringe Benefits	$ 67.3	$ 73.0	$ 77.4	$ 84.4	$ 92.3	$ 7.9	9.4%	37.1%
Travel	2.5	2.7	3.5	3.9	4.4	0.5	12.8%	76.0%
Contractual Services & Commodities	34.0	42.1	42.9	43.4	41.5	(1.9)	-4.4%	22.1%
Utilities	3.6	4.5	4.0	6.0	4.9	(1.1)	-18.3%	36.1%
Scholarships and Fellowships	17.5	18.2	20.7	15.3	15.5	0.2	1.3%	-11.4%
Depreciation	4.4	3.4	5.0	5.5	5.4	(0.1)	-1.8%	22.7%
Interest on Capital Assets	1.0	0.9	2.1	3.3	3.8	0.5	15.2%	280.0%
Other	18.0	21.4	17.0	2.3	12.5	10.2	443.5%	-30.6%
Total Expenses	**$ 148.3**	**$ 166.2**	**$ 172.6**	**$ 164.1**	**$ 180.3**	**$ 16.2**	**9.9%**	**21.6%**
Selected Data								
Debt	**Fiscal Year 2003**	**Fiscal Year 2004**	**Fiscal Year 2005**	**Fiscal Year 2006**	**Fiscal Year 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Bonded Debt & Notes Payable	$ 20.1	$ 19.3	$ 84.4	$ 82.8	$ 92.4	$ 9.6	11.6%	359.7%
Capital Leases	0.2	-	-	-	-	-		-100.0%
Total Debt	**$ 20.3**	**$ 19.3**	**$ 84.4**	**$ 82.8**	**$ 92.4**	**$ 9.6**	**11.6%**	**355.2%**
Investments	**$ 41.0**	**$ 46.8**	**$ 92.6**	**$ 50.9**	**$ 44.4**	**$ (6.5)**	**-12.8%**	**8.3%**
Investment Income	**$ 1.9**	**$ -**	**$ 0.9**	**$ 0.8**	**$ 2.7**	**$ 1.9**	**237.5%**	**42.1%**

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

Appendix 2: Institutional Highlights
Table 6

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

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 29.6	$ 32.3	$ 37.1	$ 37.3	$ 38.6	$ 1.3	3.49%	30.4%
State Appropriations	41.7	42.1	43.2	44.7	48.6	3.9	8.72%	16.5%
Other	6.2	5.5	4.3	6.5	9.1	2.6	40.00%	46.8%
Total Revenue	**$ 77.5**	**$ 79.9**	**$ 84.6**	**$ 88.5**	**$ 96.3**	**$ 7.8**	**8.81%**	**24.3%**
2003 constant dollars	**$ 75.2**	**$ 74.8**	**$ 76.9**	**$ 78.1**	**$ 82.3**	**$ 4.3**	**5.49%**	**9.6%**
2003 constant dollars per FTE[4]	**$ 11,668**	**$ 11,840**	**$ 11,674**	**$ 10,870**	**$ 11,659**	**$ 789**	**7.26%**	**-0.1%**

Higher Education Cost Adjustment (HECA)	Fiscal Year 2007 = 3.2%	Five Year = 13.82%

Expenses - by Function (in Millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 30.9	$ 32.2	$ 35.2	$ 35.7	$ 38.0	$ 2.3	6.44%	23.0%
Research	0.6	0.6	0.4	0.6	0.9	0.3	50.0%	50.0%
Public Service	0.2	0.2	0.0	0.2	0.2	-	0.0%	0.0%
Academic Support	6.5	6.9	6.3	8.3	8.2	(0.1)	-1.2%	26.2%
Student Services	8.9	9.0	6.9	9.6	12.3	2.7	28.1%	38.2%
Institutional Support	9.3	10.9	13.3	16.0	17.4	1.4	8.7%	87.1%
Operation & Maintenance	6.9	7.3	9.3	10.2	8.6	(1.6)	-15.7%	24.6%
Scholarships & Fellowships	6.3	6.4	8.2	8.5	8.4	(0.1)	-1.2%	33.3%
Other & Mandatory Transfers	2.0	1.5	1.5	1.4	0.5	(0.9)	-64.3%	-75.0%
Total Expenses	**$ 71.6**	**$ 74.9**	**$ 81.1**	**$ 90.5**	**$ 94.5**	**$ 4.0**	**4.4%**	**32.0%**
2003 constant dollars	**$ 69.4**	**$ 70.1**	**$ 73.7**	**$ 79.8**	**$ 80.8**	**$ 1.0**	**1.23%**	**16.4%**
2003 constant dollars per FTE[4]	**$ 10,779**	**$ 11,097**	**$ 11,192**	**$ 11,116**	**$ 11,441**	**$ 326**	**2.93%**	**6.1%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	1.85	1.90	4.81	4.95	3.68	(1.27)	-25.7%	98.9%
Net Operating Ratio (measures financial performance)	0.08	0.06	0.04	-0.02	0.02	0.04	-200.0%	-75.0%
Viability Ratio (measures relative liquidity)	0.58	0.66	0.23	0.15	0.12	(0.03)	-20.0%	-79.3%
Primary Reserve Ratio (measures financial strength)	0.08	0.08	0.06	0.04	0.07	0.03	75.0%	-12.5%
Debt Burden Ratio (measures dependence on debt)	0.03	0.02	0.02	0.02	0.03	0.01	50.0%	0.0%
Debt Coverage Ratio (measures excess income to cover debt)	1.24	3.76	7.72	0.71	2.38	1.67	235.2%	91.9%
Student Tuition Receivables to Net Tuition & Fees	47.38%	47.57%	45.80%	55.8%	74.2%	18.5%	33.1%	56.6%
Student Tuition Receivables to Net Tuition & Fees after allowance	4.81%	8.05%	11.70%	11.2%	27.0%	15.8%	141.7%	460.3%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	1.2%	1.1%	0.8%	0.6%	1.9%	1.3%	216.7%	58.3%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 5.9	$ 6.5	$ 6.7	$ 7.2	$ 7.5	$ 0.3	4.2%	27.1%
Construction in Progress	32.9	37.6	49.1	45.3	33.7	(11.60)	-25.6%	2.4%
Buildings	67.3	72.7	70.7	111.6	139.4	27.80	24.9%	107.1%
Improvements other than Buildings	12.1	17.2	17.6	17.3	26.3	9.00	52.0%	117.4%
Equipment	5.6	8.1	8.2	8.6	4.1	(4.50)	-52.3%	-26.8%
Library Books	2.2	2.2	2.2	1.6	2.1	0.50	31.3%	-4.5%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 126.0**	**$ 144.4**	**$ 154.5**	**$ 191.6**	**$ 213.1**	**$ 21.5**	**11.2%**	**69.1%**
Historical Cost	**$ 187.0**	**$ 201.5**	**$ 216.0**	**$ 258.6**	**$ 284.9**	**$ 26.3**	**10.2%**	**52.4%**

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 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, 2007, the total assets were equal to $791.1 million, compared to $748.6 million on June 30, 2006, an increase of $42.5 million.

Liabilities decreased to $215.0 million as of June 30, 2007, from $227.1 million on June 30, 2006, an decrease of $12.1 million. Debt was approximately $145.3 million (68 percent) of the liabilities. Debt decreased by $12.4 million from Fiscal Year 2006.

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 $576.1 million on June 30, 2007, and $521.5 million on June 30, 2006. The $54.6 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
MSU's revenues and expenses include all sources and funds, including restricted and unrestricted funds. In Fiscal Year 2007, the university generated revenue of approximately $588.6 million from all sources and all funds. When compared to all revenues, State Appropriations (32 percent) and Contracts and Grants (41 percent) made up the largest categories of revenue for the system. Tuition revenue was 12 percent.

MSU expended $534.1 million in Fiscal Year 2007. 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 percent ($309.2 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 27 percent of the dollars expended ($142.3 million for contractual services and commodities). Utilities expense decreased nearly 24 percent during Fiscal Year 2007, down to $13.6 million. The root causes for this decrease were energy management efficiency programs instituted by MSU as well as general energy pricing declines in the market. Student Scholarships and Fellowships expense increased $2.5 million, or 11.5 percent during the year. This increase was a result of higher student charges implemented during 2007.

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 percent) and State Appropriations (57 percent) in Fiscal Year 2007. 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 2003 to Fiscal Year 2007 tuition revenues increased by $9.5 million as a result of enrollment *and* tuition increases. State appropriations increased approximately 10.9 percent in Fiscal Year 2007 (to $161.5 million). E&G revenues for Fiscal Year 2007 were $282.7 million.

During Fiscal Year 2007 approximately 31 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased by approximately $27.7 million, or 47.8 percent from Fiscal Year 2003 to Fiscal Year 2007. Expenses attributable to the instruction function during Fiscal Year 2007 increased by $4.9 million (6.1 percent) over Fiscal Year 2006. Institutional Research expenses increased $4.0 million in Fiscal Year 2007 (up to $46.8 million). Public Service expenses increased $4.5 million in Fiscal Year 2007 (also up to $46.8 million). E&G expenses for Fiscal Year 2007 were $277.3 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 <u>Current Ratio</u> measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 2.97 on June 30, 2006, and 2.86 on June 30, 2007. This small decrease means assets decreased slightly in proportion to liabilities. Specifically, the current ratio of 2.86 implies the institution had assets to cover 286 percent of its current liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. MSU was well above this ratio.

The <u>Net Operating Ratio</u> measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was <.01> on June 30, 2006, and increased to a positive .02 on June 30, 2007. This recent increase reversed a three year trend of declining activity. A positive number indicates the university ended the year with a surplus; however, the rule of thumb is between .02 and .04.

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, 2006, was .56, and for June 30, 2007, the ratio increased to .66. This indicates that the university's liquidity position strengthened during Fiscal Year 2007. MSU presently has $145.3 million in debt, down from $157.7 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.

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 improved to .06 in Fiscal Year 2007. It has held relatively constant for the last five years. 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. This was the case at MSU. A ratio of .06 means the institution could operate almost three 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 percent (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7 percent of operating expenses. The university spent approximately 5 percent (a ratio of .05) on debt, which was below the 7 percent threshold.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. MSU's ratio was 2.01 for Fiscal Year 2007. This ratio decreased slightly from Fiscal Year 2006 of 2.31.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007 the percentage was 16.1, up from 14.8 percent in Fiscal Year 2006. This ratio has increased every year since Fiscal Year 2004, when it was at its lowest point of 13.9 percent. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) was considered, the percentage dropped to 10.5. This percentage too has generally increased from it lowest in Fiscal Year 2004 of 8.6 percent. MSU should continue monitoring the collection of receivables.

Another 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. The relationship was relatively low with the five years under review all under 0.5 percent.

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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 95.2	$ 94.9	$ 117.3	$ 112.3	$ 107.9	$ (4.4)	-3.9%	13.3%
Capital Assets	394.6	421.7	451.7	533.8	585.5	51.7	9.7%	48.4%
Other Non-Current Assets	82.9	98.7	95.8	102.5	97.7	(4.8)	-4.7%	17.9%
Total Assets	**$ 572.7**	**$ 615.3**	**$ 664.8**	**$ 748.6**	**$ 791.1**	**$ 42.5**	**5.7%**	**38.1%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 30.7	$ 32.0	$ 44.8	$ 50.8	$ 43.0	$ (7.8)	-15.4%	40.1%
Non-Current Liabilities	92.1	106.3	123.7	176.3	172.0	(4.3)	-2.4%	86.8%
Net Assets	449.8	477.0	496.3	521.5	576.1	54.6	10.5%	28.1%
Total Liabilities and Net Assets	**$ 572.6**	**$ 615.3**	**$ 664.8**	**$ 748.6**	**$ 791.1**	**$ 42.5**	**5.7%**	**38.2%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $20.8 m, $20.3 m, $19.2 m, $23.2 m & $21.2 m respectively)	$ 65.0	$ 64.2	$ 67.1	$ 67.0	$ 70.7	$ 3.7	5.5%	8.8%
State Appropriations - Operations & Capital	153.8	165.1	161.5	159.3	189.9	30.6	19.2%	23.5%
Grants and Contracts	153.2	160.6	187.7	209.1	239.3	30.2	14.4%	56.2%
Auxiliary Enterprises - Net	38.7	38.3	36.2	41.5	45.6	4.1	9.9%	17.7%
Patient Fees	-	-	-	-	-	-		
Other	42.8	42.7	33.2	31.7	43.1	11.4	36.0%	0.8%
Total Revenues	**$ 453.4**	**$ 470.8**	**$ 485.7**	**$ 508.6**	**$ 588.6**	**$ 80.0**	**15.7%**	**29.8%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 257.9	$ 267.2	$ 282.2	$ 283.3	$ 309.2	$ 25.9	9.1%	19.9%
Travel	9.7	10.8	10.6	11.1	12.9	1.8	16.2%	32.8%
Contractual Services & Commodities	105.1	109.6	113.1	118.7	142.3	23.6	19.9%	35.4%
Utilities	11.1	11.2	12.0	17.8	13.6	(4.2)	-23.6%	22.2%
Scholarships and Fellowships	17.1	18.3	18.4	21.7	24.2	2.5	11.5%	41.7%
Depreciation	19.5	21.7	21.7	24.4	24.6	0.2	0.8%	26.3%
Interest on Capital Assets	3.2	3.1	3.8	5.1	6.7	1.6	31.4%	106.3%
Other	3.7	1.7	4.6	1.3	0.6	(0.7)	-53.8%	-83.7%
Total Expenses	**$ 427.4**	**$ 443.7**	**$ 466.4**	**$ 483.4**	**$ 534.1**	**$ 50.7**	**10.5%**	**25.0%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ 61.7	$ 76.2	$ 98.8	$ 154.1	$ 142.6	$ (11.5)	-7.5%	131.1%
Capital Leases	4.6	3.7	5.6	3.6	2.7	(0.9)	-25.0%	-41.3%
Total Debt	**$ 66.3**	**$ 79.9**	**$ 104.4**	**$ 157.7**	**$ 145.3**	**$ (12.4)**	**-7.9%**	**119.2%**
Investments	**$ 73.2**	**$ 92.8**	**$ 95.0**	**$ 117.9**	**$ 105.0**	**$ (12.9)**	**-10.9%**	**43.4%**
Investment Income	**$ 2.3**	**$ 1.6**	**$ 5.2**	**$ 5.0**	**$ 9.0**	**$ 4.0**	**80.0%**	**291.3%**

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

Appendix 2: Institutional Highlights
Table 8

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

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 79.3	$ 78.0	$ 79.4	$ 82.6	$ 88.8	$ 6.2	7.51%	12.0%
State Appropriations	140.7	146.2	147.7	145.6	161.5	15.9	10.92%	14.8%
Other	28.9	32.2	32.7	29.9	32.4	2.5	8.36%	12.1%
Total Revenue	**$ 248.9**	**$ 256.4**	**$ 259.8**	**$ 258.1**	**$ 282.7**	**$ 24.6**	**9.53%**	**13.6%**
2003 constant dollars	**$ 241.4**	**$ 239.9**	**$ 236.1**	**$ 227.7**	**$ 241.7**	**$ 14.1**	**6.19%**	**0.2%**
2003 constant dollars per FTE[4]	**$ 16,737**	**$ 16,922**	**$ 16,834**	**$ 16,757**	**$ 17,567**	**$ 809**	**4.83%**	**5.0%**

Higher Education Cost Adjustment (HECA)	Fiscal Year 2007 = 3.2%	Five Year = 13.82%

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 57.9	$ 75.0	$ 78.8	$ 80.7	$ 85.6	$ 4.9	6.07%	47.8%
Research	47.3	41.2	40.9	42.8	46.8	4.0	9.3%	-1.1%
Public Service	41.4	42.8	43.2	42.3	46.8	4.5	10.6%	13.0%
Academic Support	22.0	19.5	20.0	25.0	26.0	1.0	4.0%	18.2%
Student Services	7.3	8.1	8.6	8.7	9.5	0.8	9.2%	30.1%
Institutional Support	23.0	21.7	22.7	15.7	16.9	1.2	7.6%	-26.5%
Operation & Maintenance	18.9	20.1	22.5	25.2	24.1	(1.1)	-4.4%	27.5%
Scholarships & Fellowships	13.0	13.1	11.3	12.1	13.3	1.2	9.9%	2.3%
Other & Mandatory Transfers	8.4	9.1	8.8	9.4	8.3	(1.1)	-11.7%	-1.2%
Total Expenses	**$ 239.2**	**$ 250.9**	**$ 256.8**	**$ 261.9**	**$ 277.3**	**$ 15.4**	**5.9%**	**15.9%**
2003 constant dollars	**$ 232.0**	**$ 234.8**	**$ 233.4**	**$ 231.0**	**$ 237.1**	**$ 6.1**	**2.65%**	**2.2%**
2003 constant dollars per FTE[4]	**$ 16,085**	**$ 16,559**	**$ 16,639**	**$ 17,004**	**$ 17,231**	**$ 227**	**1.33%**	**7.1%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	3.64	3.21	3.22	2.97	2.86	(0.11)	-3.7%	-21.4%
Net Operating Ratio (measures financial performance)	0.04	0.02	0.01	-0.01	0.02	0.03	-300.0%	-50.0%
Viability Ratio (measures relative liquidity)	1.31	1.13	0.09	0.56	0.66	0.10	17.9%	-49.6%
Primary Reserve Ratio (measures financial strength)	0.07	0.07	0.07	0.05	0.06	0.01	20.0%	-14.3%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.04	0.03	0.05	0.02	66.7%	150.0%
Debt Coverage Ratio (measures excess income to cover debt)	5.07	4.03	2.16	2.31	2.01	(0.30)	-13.0%	-60.4%
Student Tuition Receivables to Net Tuition & Fees	15.17%	13.89%	14.60%	14.8%	16.1%	1.3%	9.1%	6.3%
Student Tuition Receivables to Net Tuition & Fees after allowance	10.37%	8.61%	9.10%	8.8%	10.5%	1.7%	18.8%	1.0%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	0.4%	0.4%	0.5%	0.4%	0.0%	-0.4%	-100.0%	-100.0%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 12.1	$ 12.7	$ 12.7	$ 12.7	$ 12.7	$ -	0.0%	5.0%
Construction in Progress	61.1	86.4	133.0	133.0	191.5	58.50	44.0%	213.5%
Buildings	256.7	256.4	292.5	292.5	285.5	(7.00)	-2.4%	11.2%
Improvements other than Buildings	36.3	36.8	37.7	37.7	39.3	1.60	4.2%	8.3%
Equipment	35.9	39.8	38.1	38.1	36.3	(1.80)	-4.7%	1.1%
Library Books	17.9	18.0	18.2	18.2	18.5	0.30	1.6%	3.6%
Livestock	1.8	1.6	1.6	1.6	1.7	0.10	6.3%	-5.7%
Total Capital Assets	**$ 378.0**	**$ 394.6**	**$ 533.8**	**$ 533.8**	**$ 585.5**	**$ 51.7**	**9.7%**	**54.9%**
Historical Cost	**$ 599.6**	**$ 643.6**	**$ 682.9**	**$ 785.6**	**$ 856.2**	**$ 70.6**	**9.0%**	**42.8%**

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
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, 2007, the total assets were almost $94.4 million, compared to $95.8 million on June 30, 2006, an slight decrease of $1.4 million.

Liabilities decreased to $8.0 million as of June 30, 2007, from $10.1 million on June 30, 2006, an decrease of $2.1 million. Debt was approximately $0.8 million (10 percent) of the liabilities. Debt increased by $0.5 million from Fiscal Year 2006.

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 $86.4 million on June 30, 2007, and $85.7 million on June 30, 2006. The $0.7 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 2007, the university generated revenue of approximately $41.8 million from all sources and all funds. When compared to all revenues, State Appropriations (38 percent) and Contracts and Grants (29 percent) made up the largest categories of revenue for the system. Tuition revenue was 17 percent.

MUW expended $41.0 million in Fiscal Year 2007. 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 percent ($22.0 million) of all dollars spent were spent for salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 22 percent of the dollars expended ($9.0 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 (39 percent) and State Appropriations (56 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007 tuition revenue increased by $2.5 million as a result of enrollment *and* tuition increases. Fiscal Year 2007 State appropriations increased $1.5 million to a five year high level of $14.7 million. Total E&G revenues for Fiscal Year 2007 were $26.1 million.

During Fiscal Year 2007 approximately 39 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased slightly since Fiscal Year 2003 to now stand at $10.2 million. The Academic Support, Student Services, Institutional Support and Operations and Maintenance functional expenses each increased 2 to 5 percent, or approximately $0.1 million each in Fiscal Year 2007. Staff pay raises for the year were the primary motivation for this functional increases. Total E&G revenues for Fiscal Year 2007 were $26.1 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 <u>Current Ratio</u> measures whether the institution had sufficient assets to cover current obligations. The Current Ratio for the institution was 2.13 on June 30, 2006, and increased to 2.35 on June 30, 2007. The increase in the ratio means assets grew slightly faster than liabilities. Specifically, the current ratio of 2.35 implies that the institutions had assets to cover 235 percent of their current liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. MUW was above this ratio.

The <u>Net Operating Ratio</u> measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was <.04> on June 30, 2006, but increased to a positive 0.004 on June 30, 2007. This ratio increase indicates that the university ended the year with an operating surplus. The rule of thumb is between .02 and .04. MUW has fallen below this rule of thumb on the last two years. The university needs to continue to take steps to budget and experience an annual operating surplus of at least 2 percent annually.

The <u>Viability Ratio</u> 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, 2006, was 36.33, and for June 30, 2007, the ratio was 9.13. The 2007 decrease was due to MUW increasing their capital leasing debt by $0.5 million. MUW's 2007 debt equaled $0.8 million, up from $0.3 million the previous year. There is no established rule of thumb for this indicator, but a negative trend indicates debt is growing faster than Unrestricted Net Assets. A low or declining ratio hinders 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 Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve Ratio decreased to relatively strong .07 for Fiscal Year 2007. 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 approximately for one month 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 debt to overall expenses. Investment bankers have identified an upper threshold for the Debt Burden Ratio at 7 percent (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7 percent of operating expenses. The university spent approximately 1 percent (a ratio of .01) on debt, which was well below the 7 percent threshold. MUW's ratio was very good.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. MUW's ratio continues to decrease to a negative 9.91 for Fiscal Year 2007. Since the universities current debt load is relatively small ($0.8 million), immediate concern for this negative ratio trend is not necessary. Any future plans by the university to increase their long-term debt should be preceded with a plan to operate the universities annual activities without the need for an infusion of unrestricted net assets to fund those activities. Ideally, unrestricted net asset levels need to be steadily increased.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution performed in collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007 the percentage was 26.1 percent, down slightly from 28.1 percent in Fiscal Year 2006. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) was considered, the percentage dropped to 13.0 percent. These percentages have both decreased from their prior year-end levels which indicates that the university is collecting student receivables in a more timely and effective manner. MUW should continue to review their collection functions so as to sustain and improve their receivable collections record.

Another ratio measurement 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. The relationship was relatively low at 1.6 percent.

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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 14.3	$ 7.2	$ 11.0	$ 13.3	$ 9.6	$ (3.7)	-27.8%	-32.9%
Capital Assets	49.1	53.7	62.0	72.9	77.5	4.6	6.3%	57.8%
Other Non-Current Assets	7.3	12.0	10.4	9.6	7.3	(2.3)	-24.0%	0.0%
Total Assets	**$ 70.7**	**$ 72.9**	**$ 83.4**	**$ 95.8**	**$ 94.4**	**$ (1.4)**	**-1.5%**	**33.5%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 2.0	$ 2.3	$ 3.0	$ 7.3	$ 4.8	$ (2.5)	-34.2%	140.0%
Non-Current Liabilities	1.2	1.1	2.4	2.8	3.2	0.4	14.3%	166.7%
Net Assets	67.5	69.5	78.0	85.7	86.4	0.7	0.8%	28.0%
Total Liabilities and Net Assets	**$ 70.7**	**$ 72.9**	**$ 83.4**	**$ 95.8**	**$ 94.4**	**$ (1.4)**	**-1.5%**	**33.5%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $2.0 m, $4.4 m, $2.9 m, $3.1 m & $3.5 m respectively)	$ 5.9	$ 3.6	$ 6.0	$ 6.4	$ 6.9	$ 0.5	7.8%	16.4%
State Appropriations - Operations & Capital	19.4	17.1	20.1	17.1	15.8	(1.3)	-7.6%	-18.5%
Grants and Contracts	13.1	11.3	15.5	23.2	12.1	(11.1)	-47.8%	-7.5%
Auxiliary Enterprises - Net	2.1	0.8	2.1	2.2	2.2	-	0.0%	5.7%
Patient Fees	-	-	-	-	-	-		
Other	13.0	13.0	1.6	1.6	4.8	3.2	200.0%	-63.1%
Total Revenues	**$ 53.5**	**$ 45.9**	**$ 45.3**	**$ 50.5**	**$ 41.8**	**$ (8.7)**	**-17.2%**	**-21.8%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 19.9	$ 20.8	$ 21.5	$ 20.7	$ 22.0	$ 1.3	6.3%	10.4%
Travel	0.3	0.4	0.4	0.4	0.5	0.1	25.0%	47.4%
Contractual Services & Commodities	5.2	6.6	6.4	9.0	9.0	-	0.0%	74.0%
Utilities	1.7	1.8	2.0	2.5	2.5	-	0.0%	48.0%
Scholarships and Fellowships	4.4	1.1	3.9	4.2	4.5	0.3	7.1%	1.5%
Depreciation	1.1	1.1	1.1	1.1	1.6	0.5	45.5%	40.6%
Interest on Capital Assets	0.0	0.0	0.0	0.0	0.0	0.0	18.2%	13.5%
Other	19.6	14.5	1.5	1.9	0.9	(1.0)	-52.6%	-95.4%
Total Expenses	**$ 52.3**	**$ 46.3**	**$ 36.8**	**$ 39.8**	**$ 41.0**	**$ 1.2**	**3.0%**	**-21.6%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ -	$ -	$ -	$ -	$ -	$ -		
Capital Leases	0.5	0.3	0.5	0.3	0.8	0.5	166.7%	60.0%
Total Debt	**$ 0.5**	**$ 0.3**	**$ 0.5**	**$ 0.3**	**$ 0.8**	**$ 0.5**	**166.7%**	**60.0%**
Investments	**$ 13.3**	**$ 11.4**	**$ 10.7**	**$ 9.7**	**$ 6.9**	**$ (2.8)**	**-28.9%**	**-48.1%**
Investment Income	**$ 0.5**	**$ 0.5**	**$ 0.3**	**$ 0.5**	**$ 0.5**	**$ -**	**0.0%**	**0.0%**

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

Appendix 2: Institutional Highlights
Table 10

Mississippi University for Women

Financial Highlights - Education and General
(in millions)

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 7.8	$ 7.8	$ 8.8	$ 9.5	$ 10.3	$ 0.8	8.42%	32.1%
State Appropriations	13.2	13.2	13.5	13.2	14.7	1.5	11.36%	11.4%
Other	1.8	1.2	0.9	1.1	1.1	-	0.00%	-38.9%
Total Revenue	**$ 22.8**	**$ 22.2**	**$ 23.2**	**$ 23.8**	**$ 26.1**	**$ 2.3**	**9.66%**	**14.5%**
2003 constant dollars	**$ 22.1**	**$ 20.8**	**$ 21.1**	**$ 21.0**	**$ 22.3**	**$ 1.3**	**6.32%**	**0.9%**
2003 constant dollars per FTE[4]	**$ 11,572**	**$ 10,950**	**$ 10,629**	**$ 10,807**	**$ 11,115**	**$ 307**	**2.84%**	**-4.0%**

Higher Education Cost Adjustment (HECA)	Fiscal Year 2007 = 3.2%	Five Year = 13.82%

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 9.3	$ 9.3	$ 9.6	$ 9.4	$ 10.2	$ 0.8	8.51%	9.7%
Research	-	0.0	0.0	0.0	0.0	0.0	44.4%	#DIV/0!
Public Service	0.2	0.2	0.2	0.2	0.2	-	0.0%	0.0%
Academic Support	1.3	1.5	1.4	2.1	2.2	0.1	4.8%	69.2%
Student Services	2.4	2.0	2.1	2.1	2.2	0.1	4.8%	-8.3%
Institutional Support	3.4	3.9	3.4	3.7	3.8	0.1	2.7%	11.8%
Operation & Maintenance	2.6	2.8	3.4	4.3	4.4	0.1	2.3%	69.2%
Scholarships & Fellowships	2.4	2.3	2.4	2.8	2.8	-	0.0%	16.7%
Other & Mandatory Transfers	0.5	0.0	0.1	0.1	0.3	0.2	200.0%	-40.0%
Total Expenses	**$ 22.1**	**$ 22.0**	**$ 22.6**	**$ 24.7**	**$ 26.1**	**$ 1.4**	**5.7%**	**18.2%**
2003 constant dollars	**$ 21.4**	**$ 20.6**	**$ 20.5**	**$ 21.8**	**$ 22.3**	**$ 0.5**	**2.46%**	**4.2%**
2003 constant dollars per FTE[4]	**$ 11,217**	**$ 10,861**	**$ 10,359**	**$ 11,220**	**$ 11,120**	**$ (100)**	**-0.89%**	**-0.9%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	3.47	2.96	2.57	2.13	2.35	0.22	10.3%	-32.3%
Net Operating Ratio (measures financial performance)	0.04	0.01	0.03	(0.04)	0.00	0.04	-100.0%	-100.0%
Viability Ratio (measures relative liquidity)	25.37	30.15	25.60	36.33	9.13	(27.20)	-74.9%	-64.0%
Primary Reserve Ratio (measures financial strength)	0.13	0.12	0.13	0.08	0.07	(0.01)	-12.5%	-46.2%
Debt Burden Ratio (measures dependence on debt)	0.01	0.01	0.01	0.01	0.01	0.00	25.0%	0.0%
Debt Coverage Ratio (measures excess income to cover debt)	16.81	(8.26)	18.00	(3.63)	(9.91)	(6.28)	173.0%	-159.0%
Student Tuition Receivables to Net Tuition & Fees	19.4%	35.7%	26.7%	28.1%	26.1%	-2.0%	-7.3%	34.8%
Student Tuition Receivables to Net Tuition & Fees after allowance	9.7%	18.3%	15.0%	15.6%	13.0%	-2.6%	-16.6%	35.0%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	6.1%	0.8%	2.2%	1.5%	1.6%	0.1%	6.7%	-73.8%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 2.4	$ 2.4	$ 2.4	$ 2.4	$ 2.4	$ -	0.0%	0.0%
Construction in Progress	8.4	1.5	10.4	13.0	1.8	(11.20)	-86.2%	-78.6%
Buildings	33.9	45.7	44.9	52.6	68.1	15.50	29.5%	100.9%
Improvements other than Buildings	2.2	2.1	2.0	2.4	2.3	(0.10)	-4.2%	4.5%
Equipment	1.9	1.8	1.9	2.1	2.5	0.40	19.0%	31.6%
Library Books	0.3	0.4	0.4	0.4	0.4	-	0.0%	33.3%
Livestock	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Capital Assets	**$ 49.1**	**$ 53.7**	**$ 62.0**	**$ 72.9**	**$ 77.5**	**$ 4.6**	**6.3%**	**57.8%**
Historical Cost	**$ 70.4**	**$ 73.0**	**$ 73.4**	**$ 95.1**	**$ 101.3**	**$ 6.2**	**6.5%**	**44.0%**

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 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, 2007, the total assets were almost $76.4 million, compared to $49.4 million at June 30, 2006, a increase of $27.0 million. Short-term Investment increases surrounding the issuance of a $19.0 million bond issue, as well as the addition of two new residence halls to the capital assets inventory were the two main reasons for the large 2007 increase in assets.

Liabilities increased substantially to $25.0 million as of June 30, 2007, up from $7.4 million on June 30, 2006, a increase of $17.6 million. As mentioned earlier, MVSU picked up a $19.0 million bond issue during the year for the construction and renovation of campus residence halls. Debt was approximately $19.0 million (76 percent) of the total liabilities. Year-end Debt increased by $16.8 million from Fiscal Year 2006.

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 $51.4 million on June 30, 2007, and $42.0 million on June 30, 2006. The $9.4 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

MVSU's revenues and expenses included all sources and funds including restricted and unrestricted funds. In Fiscal Year 2007, the university generated revenue of approximately $70.4 million from all sources and all funds. When compared to all revenues, State Appropriations (32 percent) and Contracts and Grants (27 percent) made up the largest categories of revenue for the system. Tuition revenue was 17 percent.

MVSU expended $69.2 million in Fiscal Year 2007. 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 percent ($31.4 million) of all dollars spent were spent for salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 32 percent of the dollars expended ($21.9 million for contractual services and commodities). Student Scholarships and Fellowships expense increased $0.7 million in Fiscal Year 2007 (up to $1.2 million). 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 (43 percent) and State Appropriations (51 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007 tuition revenue increased by $2.6 million as a result of enrollment *and* tuition increases. State appropriations were up $1.9 million in Fiscal Year 2007 (up to $18.4 million). Since Fiscal Year 2003, appropriations have grown $5.2 million in total. These appropriations include funding earmarked for the *Ayers* Settlement. Total E&G revenues for Fiscal Year 2007 were $35.9 million.

During Fiscal Year 2007 approximately 36 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased from their Fiscal Year 2003 levels by $3.0 million (30.3 percent). Expenses attributable to the instruction function during Fiscal Year 2007 increased by $1.4 million (12.2 percent) over their Fiscal Year 2006 level. Student Scholarships and Fellowships expense also increased $0.6 million (20.7 percent) during Fiscal Year 2007. This increase was in large part a result of higher student charges for tuition, room and board. Total E&G expenses for Fiscal Year 2007 were $35.6 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 <u>Current Ratio</u> measures whether the institution has sufficient assets to cover current obligations. The Current Ratio for the institution was 1.88 on June 30, 2006, but climbed to 4.73 on June 30, 2007. This increase in the ratio meant assets grew faster than liabilities. Specifically, the current ratio of 4.73 implies the institution had assets to cover 473 percent of its liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. MVSU is well above this goal.

The <u>Net Operating Ratio</u> measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .02 on June 30, 2006, and .01 on June 30, 2007. These ratio increases indicated the university ended the years with operating profits. The rule of thumb is between .02 and .04.

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, 2006, was 1.77, and for June 30, 2007, the ratio was 0.19. Typically an decreasing trend indicates that the university's liquidity position could be weakening. MVSU's debt is equal to $19.0 million, which was up significantly $16.8 million from the previous year. As mentioned elsewhere, in Fiscal Year 2007 MVSU completed the issuance of a $19.0 million bond for residence hall construction and renovations. There is no established rule of thumb for this indicator, but a negative trend indicates debt is growing faster than Unrestricted Net Assets. The university needs to monitor this ratio trend over the next several years. A planned increase in 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 Unrestricted Net Assets without depending on revenues from current operations. The Primary Reserve ratio on June 30, 2007, of 0.10. 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 .10 meant the institution could operate at little more than one month 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 threshold for the Debt Burden Ratio at 7 percent (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7 percent of operating expenses. The university spent less than 1 percent (a ratio of .005) on debt, which is well below the 7 percent threshold. MVSU's ratio was very good.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. MVSU's ratio was equal to 6.50 for Fiscal Year 2007. This was slightly higher than the prior year (5.94).

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007 the percentage was 38.5, down from 41.6 percent in Fiscal Year 2006. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) was considered, the percentage dropped to 27.4 percent which was not a significant drop. MVSU should continue to monitor their student receivable collection process.

Another 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. The relationship was decreased to 0.9 percent. .

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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 19.2	$ 16.0	$ 23.2	$ 12.7	$ 28.4	$ 15.7	123.6%	47.9%
Capital Assets	30.8	31.1	37.7	26.8	37.9	11.1	41.4%	23.1%
Other Non-Current Assets	6.8	9.6	2.4	9.9	10.1	0.2	2.0%	48.5%
Total Assets	**$ 56.8**	**$ 56.8**	**$ 63.3**	**$ 49.4**	**$ 76.4**	**$ 27.0**	**54.7%**	**34.5%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 5.5	$ 3.1	$ 3.9	$ 3.1	$ 3.8	$ 0.7	22.6%	-30.9%
Non-Current Liabilities	4.3	4.2	4.3	4.3	21.2	16.9	393.0%	393.0%
Net Assets	47.1	49.6	55.1	42.0	51.4	9.4	22.4%	9.1%
Total Liabilities and Net Assets	**$ 56.9**	**$ 56.8**	**$ 63.3**	**$ 49.4**	**$ 76.4**	**$ 27.0**	**54.7%**	**34.3%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $0 m, $2.3 m, $3.0 m, $3.1 m & $3.9 m respectively)	$ 13.1	$ 12.2	$ 11.5	$ 11.3	$ 11.7	$ 0.4	3.5%	-10.7%
State Appropriations - Operations & Capital	15.0	16.5	24.3	18.6	22.6	4.0	21.5%	50.7%
Grants and Contracts	17.2	18.7	18.8	18.7	19.1	0.4	2.1%	11.0%
Auxiliary Enterprises - Net	6.2	6.9	6.9	7.1	7.5	0.4	5.6%	21.0%
Patient Fees	-	-	-	-	-	-		
Other	1.9	4.3	3.0	13.8	9.5	(4.3)	-31.2%	400.0%
Total Revenues	**$ 53.4**	**$ 58.6**	**$ 64.5**	**$ 69.5**	**$ 70.4**	**$ 0.9**	**1.3%**	**31.8%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 22.2	$ 24.6	$ 27.3	$ 27.7	$ 31.4	$ 3.7	13.4%	41.4%
Travel	1.2	1.3	1.3	1.5	1.9	0.4	26.7%	58.3%
Contractual Services & Commodities	20.8	21.7	22.4	24.3	21.9	(2.4)	-9.9%	5.3%
Utilities	1.7	1.8	1.8	2.7	2.3	(0.4)	-14.8%	35.3%
Scholarships and Fellowships	2.9	1.0	0.5	0.5	1.2	0.7	140.0%	-58.6%
Depreciation	1.6	1.5	1.4	1.6	1.5	(0.1)	-6.3%	-6.3%
Interest on Capital Assets	0.1	0.1	0.1	0.1	0.1	-	0.0%	0.0%
Other	0.4	4.0	2.9	9.8	8.9	(0.9)	-9.2%	2125.0%
Total Expenses	**$ 50.9**	**$ 55.9**	**$ 57.7**	**$ 68.2**	**$ 69.2**	**$ 1.0**	**1.5%**	**36.0%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ 2.4	$ 2.4	$ 2.3	$ 2.2	$ 19.0	$ 16.8	763.6%	691.7%
Capital Leases	-	-	-	-	-	-		
Total Debt	**$ 2.4**	**$ 2.4**	**$ 2.3**	**$ 2.2**	**$ 19.0**	**$ 16.8**	**763.6%**	**691.7%**
Investments	**$ 10.8**	**$ 11.1**	**$ 11.5**	**$ 10.8**	**$ 23.8**	**$ 13.0**	**120.4%**	**120.4%**
Investment Income	**$ 0.4**	**$ 0.3**	**$ 0.4**	**$ 0.4**	**$ 0.9**	**$ 0.5**	**125.0%**	**125.0%**

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

Appendix 2: Institutional Highlights
Table 12

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

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 13.0	$ 14.4	$ 14.5	$ 14.3	$ 15.6	$ 1.3	9.09%	20.0%
State Appropriations	13.2	15.2	15.4	16.5	18.4	1.9	11.52%	39.4%
Other	1.4	1.5	1.5	2.1	1.9	(0.2)	-9.52%	35.7%
Total Revenue	**$ 27.6**	**$ 31.1**	**$ 31.4**	**$ 32.9**	**$ 35.9**	**$ 3.0**	**9.12%**	**30.1%**
2003 constant dollars	**$ 26.8**	**$ 29.1**	**$ 28.5**	**$ 29.0**	**$ 30.7**	**$ 1.7**	**5.79%**	**14.7%**
2003 constant dollars per FTE[4]	**$ 8,376**	**$ 8,413**	**$ 8,326**	**$ 10,847**	**$ 11,401**	**$ 554**	**5.11%**	**36.1%**
Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					
Expenses - by Function	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Instruction	$ 9.9	$ 11.1	$ 11.9	$ 11.5	$ 12.9	$ 1.4	12.17%	30.3%
Research	0.3	0.2	0.2	0.3	0.3	-	0.0%	0.0%
Public Service	0.1	0.0	0.1	-	0.1	0.1	#DIV/0!	0.0%
Academic Support	1.6	2.2	1.8	1.8	2.0	0.2	11.1%	25.0%
Student Services	3.4	3.7	4.2	4.4	4.9	0.5	11.4%	44.1%
Institutional Support	4.8	4.5	4.8	5.0	5.7	0.7	14.0%	18.8%
Operation & Maintenance	3.8	5.0	5.6	6.0	6.0	-	0.0%	57.9%
Scholarships & Fellowships	2.2	2.1	2.8	2.9	3.5	0.6	20.7%	59.1%
Other & Mandatory Transfers	0.5	0.5	0.2	0.5	0.2	(0.3)	-60.0%	-60.0%
Total Expenses	**$ 26.6**	**$ 29.4**	**$ 31.6**	**$ 32.4**	**$ 35.6**	**$ 3.2**	**9.9%**	**33.8%**
2003 constant dollars	**$ 25.8**	**$ 27.5**	**$ 28.7**	**$ 28.6**	**$ 30.4**	**$ 1.9**	**6.52%**	**18.0%**
2003 constant dollars per FTE[4]	**$ 8,073**	**$ 7,936**	**$ 8,379**	**$ 10,682**	**$ 11,305**	**$ 624**	**5.84%**	**40.0%**
Key Ratios (Formulas in Glossary)	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Current Ratio (measures liquidity)	2.68	5.67	3.02	1.88	4.73	2.85	151.6%	76.5%
Net Operating Ratio (measures financial performance)	0.04	0.06	(0.01)	0.02	0.01	(0.01)	-50.0%	-75.0%
Viability Ratio (measures relative liquidity)	2.31	3.51	1.91	1.77	0.19	(1.58)	-89.3%	-91.8%
Primary Reserve Ratio (measures financial strength)	0.21	0.16	0.14	0.16	0.10	(0.06)	-37.5%	-52.4%
Debt Burden Ratio (measures dependence on debt)	0.01	0.01	0.01	0.01	0.00	(0.01)	-100.0%	-100.0%
Debt Coverage Ratio (measures excess income to cover debt)	38.86	(10.82)	(12.00)	5.94	6.50	0.56	9.4%	-83.3%
Student Tuition Receivables to Net Tuition & Fees	17.98%	30.72%	35.70%	41.6%	38.5%	-3.1%	-7.5%	113.9%
Student Tuition Receivables to Net Tuition & Fees after allowance	11.41%	23.11%	27.00%	31.0%	27.4%	-3.6%	-11.7%	139.7%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	0.6%	0.5%	0.6%	1.7%	0.9%	-0.8%	-47.1%	50.0%
Selected Data- SYSTEM								
Capital Assets - System (net of depreciation)	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Land	$ -	$ -	$ -	$ -	$ -	$ -		
Construction in Progress	1.6	2.7	10.2	2.2	5.2	3.00	136.4%	225.0%
Buildings	17.4	16.8	16.3	15.7	22.8	7.10	45.2%	31.0%
Improvements other than Buildings	8.9	8.7	8.5	5.8	7.2	1.40	24.1%	-19.1%
Equipment	2.0	1.8	1.8	2.2	1.7	(0.50)	-22.7%	-15.0%
Library Books	0.8	1.0	0.9	0.9	1.0	0.10	11.1%	25.0%
Livestock	-	-	-	-	-	-		
Total Capital Assets	**$ 29.0**	**$ 30.8**	**$ 37.7**	**$ 26.8**	**$ 37.9**	**$ 11.1**	**41.4%**	**30.7%**
Historical Cost	**$ 57.9**	**$ 59.6**	**$ 59.7**	**$ 57.5**	**$ 69.5**	**$ 12.0**	**20.9%**	**20.0%**

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 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, 2007, the total assets were equal to $726.4 million, compared to $656.5 million on June 30, 2006, an increase of $69.9 million. A large portion of this increase was to the universities Buildings inventory which recorded several major capital renovations during the period.

Liabilities increased to $142.6 million as of June 30, 2007, from $118.6 million on June 30, 2006, an increase of $24.0 million. Debt was equal to $90.4 million (63 percent) of the liabilities. Debt increased by $17.0 million from Fiscal Year 2006. The university issued two long-term bonds totaling over $21.3 million in 2007 for the construction and renovations of several facilities on campus.

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 $583.8 million at June 30, 2007, and $537.9 million at June 30, 2006. The $45.9 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 2007, the university generated revenue of nearly $373.4 million from all sources and all funds excluding UMMC which is presented in a separate report. When compared to all revenues, State Appropriations (22 percent), Tuition (25 percent), and Contracts and Grants (33 percent) made up the largest categories of revenue for the university.

UM expended $327.6 million in Fiscal Year 2007. 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 percent ($176.4 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 23 percent of the dollars expended ($76.4 million for contractual services and commodities). Student Scholarships and Fellowships expense increased 13.9 percent in Fiscal Year 2007, up to $31.1 million. The main reason for this increase were 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 (55 percent) and State Appropriations (42 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007 tuition revenue increased $29.9 million as a result of enrollment *and* tuition increases. State Appropriations increased 14.7 percent over Fiscal Year 2006, and its 2007 level equals $77.3 million. Total E&G revenues for Fiscal Year 2007 were $184.0 million.

During Fiscal Year 2007 approximately 50 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased from its Fiscal Year 2003 level by $19.3 million. Expenses attributable to the instruction function during Fiscal Year 2007 increased by $10.4 million (14.3 percent) over Fiscal Year 2006. Academic Support expense increased 14.9 percent in Fiscal Year 2007, up to $21.6 million. Staff pay raises for 2007 and a large infusion of library resource purchases were the primary reasons for this increase. Total E&G expenses for Fiscal Year 2007 were $167.7 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 institutions have sufficient assets to cover current obligations. The Current Ratio for the institution was 3.88 on June 30, 2006, and 3.94 on June 30, 2007. The slight increase in the ratio is insignificant, but means assets basically grew as fast as liabilities. Specifically, the current ratio of 3.94 implies that the institution had assets to cover 394 percent of their current liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. UM has met this rule of thumb.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .08 on June 30, 2006, and remained .09 on June 30, 2007. A positive number indicates the university ended the year with a surplus. 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 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, 2006, was 1.67, and for June 30, 2007, the ratio was 1.54. UM had $90.4 million in debt at June 30, 2007. This is up from $73.4 million the previous year-end. There is no established rule of thumb for this indicator, but a positive trend indicates Unrestricted Net Assets are growing faster than debt. 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 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, 2007, was .15 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 .15 means the institution could operate approximately two months 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 percent (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7 percent of operating expenses. The university's debt burden ratio is .03 for Fiscal Year 2007, which was unchanged from what it where it was during Fiscal Year 2006.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. UM's ratio was 5.04 for Fiscal Year 2007. This ratio decreased from the 6.03 the institution had on June 30, 2006. UM appears to be aggressively managing their debt.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007 the percentage was 5.7, down from 6.4 percent in Fiscal Year 2006. This ratio has basically held steady since Fiscal Year 2003. After Allowance for Doubtful Accounts (the estimate of accounts that will not be collected) were considered, the percentage dropped to 2.3, which is significantly lower than anyone else in the system. UM seems to be managing their student receivable collection process very well.

Another 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. The relationship was relatively low at <0.1> percent. The negative ratio was due to a decrease in the universities Fiscal Year 2007 allowance estimate.

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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 121.7	$ 97.4	$ 102.7	$ 132.8	$ 143.9	$ 11.1	8.4%	18.2%
Capital Assets	340.1	368.4	380.4	391.3	418.6	27.3	7.0%	23.1%
Other Non-Current Assets	82.3	119.1	130.4	132.4	163.9	31.5	23.8%	99.1%
Total Assets	**$ 544.1**	**$ 584.9**	**$ 613.5**	**$ 656.5**	**$ 726.4**	**$ 69.9**	**10.6%**	**33.5%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 27.4	$ 28.4	$ 29.8	$ 31.7	$ 37.8	$ 6.1	19.2%	38.0%
Non-Current Liabilities	92.9	87.3	79.2	86.9	104.8	17.9	20.6%	12.8%
Net Assets	423.8	469.2	504.5	537.9	583.8	45.9	8.5%	37.8%
Total Liabilities and Net Assets	**$ 544.1**	**$ 584.9**	**$ 613.5**	**$ 656.5**	**$ 726.4**	**$ 69.9**	**10.6%**	**33.5%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $19.5 m, $22.9m, $20.7 m, $22.7 m & $24.6 m respectively)	$ 59.7	$ 62.4	$ 74.6	$ 82.4	$ 92.0	$ 9.6	11.7%	54.2%
State Appropriations - Operations & Capital	73.9	72.5	73.2	73.4	83.9	10.5	14.3%	13.5%
Grants and Contracts	115.6	119.0	110.4	120.3	123.0	2.7	2.2%	6.4%
Auxiliary Enterprises - Net	32.7	33.5	35.4	36.5	39.1	2.6	7.1%	19.5%
Patient Fees	-	-	-	-	-	-		
Other	12.6	20.5	21.8	23.7	35.4	11.7	49.4%	180.6%
Total Revenues	**$ 294.5**	**$ 307.9**	**$ 315.4**	**$ 336.3**	**$ 373.4**	**$ 37.1**	**11.0%**	**26.8%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 136.7	$ 142.5	$ 150.4	$ 159.9	$ 176.4	$ 16.5	10.3%	29.0%
Travel	7.4	7.9	8.0	8.8	9.8	1.0	11.4%	33.0%
Contractual Services & Commodities	74.3	72.4	71.6	72.9	76.4	3.5	4.8%	2.9%
Utilities	7.0	6.8	7.9	11.2	10.5	(0.7)	-6.2%	50.5%
Scholarships and Fellowships	17.3	15.9	20.0	27.3	31.1	3.8	13.9%	80.1%
Depreciation	14.4	15.3	17.5	19.1	19.3	0.2	1.0%	33.7%
Interest on Capital Assets	4.1	3.2	2.9	2.5	3.3	0.8	32.0%	-18.7%
Other	5.6	1.9	2.1	1.3	0.8	(0.5)	-38.5%	-85.8%
Total Expenses	**$ 266.7**	**$ 266.0**	**$ 280.4**	**$ 303.0**	**$ 327.6**	**$ 24.6**	**8.1%**	**22.8%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ 73.4	$ 68.9	$ 66.3	$ 73.4	$ 90.4	$ 17.0	23.2%	23.2%
Capital Leases	7.6	6.8	0.3	0.1	-	(0.1)	-100.0%	-100.0%
Total Debt	**$ 81.0**	**$ 75.7**	**$ 66.6**	**$ 73.5**	**$ 90.4**	**$ 16.9**	**23.0%**	**11.6%**
Investments	**$ 99.8**	**$ 143.7**	**$ 154.8**	**$ 177.3**	**$ 191.5**	**$ 14.2**	**8.0%**	**91.9%**
Investment Income	**$ 2.6**	**$ 9.0**	**$ 6.3**	**$ 8.7**	**$ 18.8**	**$ 10.1**	**116.1%**	**623.1%**

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

Appendix 2: Institutional Highlights
Table 14

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

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 71.7	$ 77.4	$ 85.7	$ 93.2	$ 101.6	$ 8.4	9.01%	41.7%
State Appropriations	66.4	67.8	68.3	67.4	77.3	9.9	14.69%	16.4%
Other	3.2	3.2	3.8	3.8	5.1	1.3	34.21%	59.4%
Total Revenue	**$ 141.3**	**$ 148.3**	**$ 157.8**	**$ 164.4**	**$ 184.0**	**$ 19.6**	**11.92%**	**30.2%**
2003 constant dollars	**$ 137.0**	**$ 138.8**	**$ 143.4**	**$ 145.0**	**$ 157.3**	**$ 12.3**	**8.51%**	**14.8%**
2003 constant dollars per FTE[4]	**$ 11,066**	**$ 10,546**	**$ 10,465**	**$ 10,869**	**$ 11,409**	**$ 540**	**4.97%**	**3.1%**
Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 63.9	$ 67.1	$ 69.9	$ 72.8	$ 83.2	$ 10.4	14.29%	30.2%
Research	5.9	5.8	5.9	5.7	6.3	0.6	10.5%	6.8%
Public Service	0.5	0.5	0.4	0.4	0.4	-	0.0%	-20.0%
Academic Support	17.2	18.5	18.6	18.8	21.6	2.8	14.9%	25.6%
Student Services	9.0	8.7	8.9	9.1	9.7	0.6	6.6%	7.8%
Institutional Support	14.6	15.1	14.8	16.0	17.4	1.4	8.7%	19.2%
Operation & Maintenance	12.9	13.7	15.1	18.2	18.6	0.4	2.2%	44.2%
Scholarships & Fellowships	7.2	9.0	8.8	9.3	10.3	1.0	10.8%	43.1%
Other & Mandatory Transfers	1.2	0.8	3.2	0.7	0.2	(0.5)	-71.4%	-83.3%
Total Expenses	**$ 132.4**	**$ 139.1**	**$ 145.6**	**$ 151.0**	**$ 167.7**	**$ 16.7**	**11.1%**	**26.7%**
2003 constant dollars	**$ 128.4**	**$ 130.2**	**$ 132.3**	**$ 133.2**	**$ 143.4**	**$ 10.2**	**7.67%**	**11.7%**
2003 constant dollars per FTE[4]	**$ 10,369**	**$ 9,891**	**$ 9,656**	**$ 9,983**	**$ 10,399**	**$ 416**	**4.16%**	**0.3%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	4.09	3.94	3.86	3.88	3.94	0.06	1.5%	-3.7%
Net Operating Ratio (measures financial performance)	0.06	0.06	0.08	0.08	0.09	0.01	12.5%	50.0%
Viability Ratio (measures relative liquidity)	1.19	1.35	1.58	1.67	1.54	(0.13)	-7.8%	29.4%
Primary Reserve Ratio (measures financial strength)	0.16	0.16	0.15	0.15	0.15	-	0.0%	-6.3%
Debt Burden Ratio (measures dependence on debt)	0.05	0.04	0.03	0.03	0.03	0.00	1.8%	-40.0%
Debt Coverage Ratio (measures excess income to cover debt)	3.56	2.80	3.85	6.03	5.04	(0.99)	-16.4%	41.4%
Student Tuition Receivables to Net Tuition & Fees	4.02%	8.04%	5.40%	6.4%	5.7%	-0.8%	-12.1%	40.5%
Student Tuition Receivables to Net Tuition & Fees after allowance	2.57%	3.58%	1.30%	2.6%	2.3%	-0.3%	-10.6%	-11.3%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	0.9%	1.0%	0.3%	0.3%	-0.1%	-0.4%	-133.3%	-111.1%

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 4.1	$ 4.9	$ 5.7	$ 8.5	$ 10.0	$ 1.5	17.6%	143.9%
Construction in Progress	72.8	13.4	23.8	19.8	30.1	10.30	52.0%	-58.7%
Buildings	196.7	279.7	275.7	279.6	294.8	15.20	5.4%	49.9%
Improvements other than Buildings	24.8	26.1	27.6	35.2	34.7	(0.50)	-1.4%	39.9%
Equipment	25.5	27.3	30.4	30.4	30.6	0.20	0.7%	20.0%
Library Books	16.1	16.8	17.2	17.8	18.4	0.60	3.4%	14.3%
Livestock	-	-	-	-	-	-		
Total Capital Assets	**$ 340.0**	**$ 368.4**	**$ 380.4**	**$ 391.3**	**$ 418.6**	**$ 27.3**	**7.0%**	**23.1%**
Historical Cost	**$ 491.7**	**$ 528.6**	**$ 555.0**	**$ 582.8**	**$ 626.5**	**$ 43.7**	**7.5%**	**27.4%**

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

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, 2007, the total assets equaled $455.3 million, compared to $395.0 million on June 30, 2006, an increase of $60.3 million. A significant portion of this increase was recorded within the construction-in-progress inventory where several new capital facility projects were underway during 2007, including the Village residence halls, Trent Lott Center and expansion of M.M. Roberts Stadium.

Liabilities increased to $145.5 million as of June 30, 2007, from $118.3 million on June 30, 2006, an increase of $27.2 million. Debt was equal to $79.3 million (55 percent) of the liabilities. Debt increased by $23.9 million from Fiscal Year 2006. During 2007 the university issued a $27.2 million bond project that will continue the upgrade to various athletic facilities.

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 approached $309.8 million on June 30, 2007, and $276.7 million on June 30, 2006. The $33.1 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

USM's total revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2007, the university generated revenue equaling $338.9 million from all sources and all funds. When compared to all revenues, State Appropriations (28 percent), Tuition (19 percent), and Contracts and Grants (39 percent) made up the largest categories of revenue for the university.

USM expended $306.0 million in Fiscal Year 2007. 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 percent ($163.0 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 30 percent of the dollars expended ($90.5 million for contractual services and commodities). Student Scholarships and Fellowships expense decreased 8.0 percent in Fiscal Year 2007, down to $20.6 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 (42 percent) and State Appropriations (50 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007 tuition revenue increased $13.0 million as a result of enrollment *and* tuition increases. State Appropriations increased 12.1 percent (up to $86.9 million) over their Fiscal Year 2006 level of $77.5 million. Total E&G revenues for Fiscal Year 2007 were $172.2 million.

During Fiscal Year 2007 approximately 47 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased from the Fiscal Year 2003 level by $14.5 million. Expenses attributable to the instruction function during Fiscal Year 2007 increased by $4.9 million (7.1 percent) over Fiscal Year 2006. Institutional student Scholarships and Fellowships expense increased by 81.9 percent in Fiscal Year 2007, up to $13.1 million. This was in part a result of higher student charges fro tuition, room and board. Institutional Support expense also increased $5.7 million (31.7 percent) during 2007. Staff pay raises during the year accounted for approximately $3.1 million of this overall increase. In addition, USM moved a significant portion of the campus I.T. administrative function to the Institutional Support classification (from the Academic Support function in 2006). Total E&G expenses for Fiscal Year 2007 were equal to $158.1 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 2.10 on June 30, 2006, and 2.30 on June 30, 2007. The increase means assets grew slightly faster than liabilities. Specifically, the current ratio of 2.30 implies that the institution had assets to cover 230 percent of its current liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. USM is above this rule of thumb at the end of Fiscal Year 2007.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .08 on June 30, 2006, and remained .08 on June 30, 2007. USM has had an increasing or static trend since Fiscal Year 2004. USM’s positive number indicates that the university ended the year with a surplus. The rule of thumb is between .02 and .04. USM ended the year above 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, 2006, was 1.12, and for June 30, 2007, the ratio decreased to 0.84. USM had $79.3 million in debt at June 30, 2007. This figure is up considerably from $55.5 million figure from the previous year. There is no established rule of thumb for this indicator, but a positive trend could indicate Unrestricted Net Assets are growing faster than debt. This ratio has been trending down since Fiscal Year 2004. The decline is due more to the universities long-term debt load increasing at a faster pace than its unrestricted net assets.

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 has held relatively constant over the five years under review. The ratio on June 30, 2007, was .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 about one month 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 threshold for the Debt Burden Ratio at 7 percent (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7 percent of operating expenses. USM's ratio on June 30, 2007, was .03 and has held constant for the five years under review. A ratio of .03 means only 3 percent of the expenses supports debt service. USM's ratio was below the industry's upper threshold.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. USM's ratio increased to 2.9 for Fiscal Year 2007.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007 the percentage was 8.0, down slightly from 9.7 percent in Fiscal Year 2006. After the Allowance for Doubtful Accounts estimate (an estimate of accounts that will not be collected) was considered, the percentage dropped to 5.6 percent. These percentages are lower than most of the other universities within the IHL System. USM appears to be managing their student receivable collection process very well.

Another 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. The relationship has held relatively constant since Fiscal Year 2003.

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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 62.1	$ 73.2	$ 56.0	$ 73.5	$ 90.8	$ 17.3	23.5%	46.2%
Capital Assets	199.4	211.0	228.8	238.4	279.6	41.2	17.3%	40.2%
Other Non-Current Assets	86.4	74.1	81.5	83.1	84.9	1.8	2.2%	-1.7%
Total Assets	**$ 347.9**	**$ 358.3**	**$ 366.3**	**$ 395.0**	**$ 455.3**	**$ 60.3**	**15.3%**	**30.9%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 25.1	$ 26.5	$ 23.5	$ 29.1	$ 32.1	$ 3.0	10.3%	27.9%
Non-Current Liabilities	73.2	72.0	71.5	89.2	113.4	24.2	27.1%	54.9%
Net Assets	249.5	259.8	271.3	276.7	309.8	33.1	12.0%	24.2%
Total Liabilities and Net Assets	**$ 347.8**	**$ 358.3**	**$ 366.3**	**$ 395.0**	**$ 455.3**	**$ 60.3**	**15.3%**	**30.9%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $12.3 m, $13.6 m, $14.2 m, $21.1 m & $21.7 m respectively)	$ 58.6	$ 59.7	$ 64.8	$ 58.0	$ 64.0	$ 6.0	10.3%	9.3%
State Appropriations - Operations & Capital	94.3	81.9	86.2	87.7	95.7	8.0	9.1%	1.5%
Grants and Contracts	80.5	85.7	90.1	109.0	131.6	22.6	20.7%	63.4%
Auxiliary Enterprises - Net	36.6	37.3	19.7	21.2	23.5	2.3	10.8%	-35.7%
Patient Fees	-	-	-	-	-	-		
Other	7.9	7.1	10.6	19.8	24.1	4.3	21.7%	204.5%
Total Revenues	**$ 277.9**	**$ 271.7**	**$ 271.4**	**$ 295.7**	**$ 338.9**	**$ 43.2**	**14.6%**	**22.0%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 140.3	$ 145.7	$ 151.5	$ 153.2	$ 163.0	$ 9.8	6.4%	16.2%
Travel	6.1	6.2	6.5	7.4	7.5	0.1	1.4%	23.4%
Contractual Services & Commodities	69.7	76.2	65.6	73.1	90.5	17.4	23.8%	29.8%
Utilities	6.3	6.8	7.3	8.6	9.0	0.4	4.7%	43.5%
Scholarships and Fellowships	14.5	13.6	16.3	22.4	20.6	(1.8)	-8.0%	41.9%
Depreciation	9.3	10.1	9.6	9.8	11.2	1.4	14.3%	20.7%
Interest on Capital Assets	1.9	2.7	1.9	1.8	2.6	0.8	44.4%	36.0%
Other	1.4	0.3	1.3	4.1	1.6	(2.5)	-61.0%	14.8%
Total Expenses	**$ 249.4**	**$ 261.6**	**$ 260.0**	**$ 280.4**	**$ 306.0**	**$ 25.6**	**9.1%**	**22.7%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ 40.1	$ 38.6	$ 37.0	$ 54.8	$ 78.7	$ 23.9	43.6%	96.3%
Capital Leases	2.1	1.4	0.9	0.7	0.6	(0.1)	-14.3%	-71.4%
Total Debt	**$ 42.2**	**$ 40.0**	**$ 37.9**	**$ 55.5**	**$ 79.3**	**$ 23.8**	**42.9%**	**87.9%**
Investments	**$ 38.6**	**$ 54.5**	**$ 61.1**	**$ 51.0**	**$ 60.2**	**$ 9.2**	**18.0%**	**56.0%**
Investment Income	**$ 2.2**	**$ 0.9**	**$ 2.8**	**$ 2.2**	**$ 5.5**	**$ 3.3**	**150.0%**	**150.0%**

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

Appendix 2: Institutional Highlights
Table 16

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

Revenue	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 59.3	$ 60.7	$ 65.7	$ 66.1	$ 72.3	$ 6.2	9.38%	21.9%
State Appropriations	74.5	76.9	78.2	77.5	86.9	9.4	12.13%	16.6%
Other	7.9	5.5	9.6	9.8	13.0	3.2	32.65%	64.6%
Total Revenue	**$ 141.7**	**$ 143.1**	**$ 153.5**	**$ 153.4**	**$ 172.2**	**$ 18.8**	**12.26%**	**21.5%**
2003 constant dollars	**$ 137.4**	**$ 133.9**	**$ 139.5**	**$ 135.3**	**$ 147.3**	**$ 11.9**	**8.83%**	**7.2%**
2003 constant dollars per FTE[4]	**$ 9,861**	**$ 9,670**	**$ 9,914**	**$ 10,267**	**$ 11,639**	**$ 1,372**	**13.36%**	**18.0%**
Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ 59.9	$ 61.9	$ 67.1	$ 69.5	$ 74.4	$ 4.9	7.05%	24.2%
Research	4.7	4.4	4.1	3.3	3.8	0.5	15.2%	-19.1%
Public Service	3.1	3.1	2.9	2.0	1.6	(0.4)	-20.0%	-48.4%
Academic Support	13.3	12.9	14.2	15.1	12.7	(2.4)	-15.9%	-4.5%
Student Services	6.2	5.8	7.5	7.6	8.0	0.4	5.3%	29.0%
Institutional Support	14.1	14.6	16.8	18.0	23.7	5.7	31.7%	68.1%
Operation & Maintenance	14.5	15.1	17.0	17.7	20.1	2.4	13.6%	38.6%
Scholarships & Fellowships	8.1	8.1	10.9	7.2	13.1	5.9	81.9%	61.7%
Other & Mandatory Transfers	1.8	1.5	3.2	1.1	0.7	(0.4)	-36.4%	-61.1%
Total Expenses	**$ 125.7**	**$ 127.4**	**$ 143.7**	**$ 141.5**	**$ 158.1**	**$ 16.6**	**11.7%**	**25.8%**
2003 constant dollars	**$ 121.9**	**$ 119.2**	**$ 130.6**	**$ 124.8**	**$ 135.2**	**$ 10.4**	**8.32%**	**10.9%**
2003 constant dollars per FTE[4]	**$ 8,748**	**$ 8,610**	**$ 9,281**	**$ 9,471**	**$ 10,686**	**$ 1,215**	**12.83%**	**22.2%**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	2.45	1.88	2.27	2.10	2.30	0.20	9.5%	-6.1%
Net Operating Ratio (measures financial performance)	0.11	0.11	0.06	0.08	0.08	-	0.0%	-27.3%
Viability Ratio (measures relative liquidity)	0.98	1.81	1.76	1.12	0.84	(0.28)	-25.0%	-14.3%
Primary Reserve Ratio (measures financial strength)	0.09	0.07	0.06	0.07	0.07	-	0.0%	-22.2%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.02	0.02	0.03	0.01	50.0%	50.0%
Debt Coverage Ratio (measures excess income to cover debt)	4.53	8.65	1.35	0.69	2.90	2.21	320.3%	-36.0%
Student Tuition Receivables to Net Tuition & Fees	5.97%	6.07%	9.00%	9.7%	8.0%	-1.7%	-17.5%	33.5%
Student Tuition Receivables to Net Tuition & Fees after allowance	4.26%	4.39%	6.60%	7.1%	5.6%	-1.4%	-20.4%	32.2%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ 13.2	$ 13.5	$ 14.0	$ 14.3	$ 14.9	$ 0.6	4.2%	12.9%
Construction in Progress	19.7	23.6	37.3	11.6	48.9	37.30	321.6%	148.2%
Buildings	138.2	142.1	146.3	181.0	181.2	0.20	0.1%	31.1%
Improvements other than Buildings	8.4	10.5	10.7	11.6	12.6	1.00	8.6%	50.0%
Equipment	9.2	11.1	10.6	9.6	10.7	1.10	11.5%	16.3%
Library Books	10.6	10.2	9.9	10.3	11.3	1.00	9.7%	6.6%
Livestock	-	-	-	-	-	-		
Total Capital Assets	**$ 199.3**	**$ 199.4**	**$ 228.8**	**$ 238.4**	**$ 279.6**	**$ 41.2**	**17.3%**	**40.3%**
Historical Cost	**$ 322.2**	**$ 334.2**	**$ 358.2**	**$ 374.4**	**$ 427.4**	**$ 53.0**	**14.2%**	**32.7%**

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, 2007, the total assets were equal to $773.1 million, compared to $717.4 million on June 30, 2006, an increase of $55.7 million. A significant portion of this increase was recorded within the Buildings inventory where several new capital facility projects were recognized including the Guyton Research Building ($19.8 million) and Adult Hospital expansion project ($3.8 million). In addition, UMMC recorded a $25.9 million increase to their year-end Disproportionate Share Receivable account.

Liabilities increased to $248.3 million as of June 30, 2007, up from $238.4 million on June 30, 2006, an increase of $9.9 million. Long-term Debt was equal to $161.6 million (65 percent) of the total liabilities. Long-term Debt increased by $3.4 million from Fiscal Year 2006.

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 $524.8 million on June 30, 2007, and $479.0 million on June 30, 2006. The $45.8 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

UMMC's revenues and expenses include all sources and funds including restricted and unrestricted funds. In Fiscal Year 2007, the system generated revenues of $770.8 million from all sources and all funds. When compared to all revenues, State Appropriations (24 percent), Contracts and Grants (11 percent), and Patient Fees (59 percent) made up the largest categories of revenue for the institution. In Fiscal Year 2007, UMMC recorded over $23.0 million in net patient care revenues from special Hurricane Katrina related funding from the federal government. Tuition was negligible at less than one percent.

UMMC expended $726.2 million in Fiscal Year 2007. 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 percent ($404.1 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 37 percent of the dollars expended ($270.7 million for contractual services and commodities). Campus utilities expense decreased 25.3 percent in Fiscal Year 2007, down to $13.0 million. The decrease was attributable to energy management efficiencies as well general declines in utility rates.

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 and Other Revenues (72 percent), and State Appropriations (26.8 percent) in Fiscal Year 2007. These two funding sources support the general operations of the campus. From Fiscal Year 2003 to Fiscal Year 2007 Patient Fees and Other Revenues increased $83.8 million. State Appropriations increased approximately 26.7 percent over Fiscal Year 2006, and its 2007 level equals $182.6 million. Tuition revenues were to $8.5 million in Fiscal Year 2007. Total E&G revenues for Fiscal Year 2007 were equal to $681.5 million.

During Fiscal Year 2007 approximately 15 percent of the expenses in the E&G fund were spent on the instruction function. Expenditures for instruction have increased from its Fiscal Year 2003 level by $8.4 million. Expenses attributable to the instruction function during Fiscal Year 2007 increased by $8.8 million (10.1 percent) over Fiscal Year 2006. Institutional Support expense increased 11.2 percent in Fiscal Year 2007, up to $35.8 million. Staff pay raises accounted for the significant portion of this overall increase. Hospital Service expense increased $53.5 million during Fiscal Year 2007. Again hospital staff pay raises accounted for the largest portion of this increase. Multi-million increases in hospital contractual services and commodities expense also contributed significantly. Operations and Maintenance expense decreased 7.3 percent in Fiscal Year 2007, down to $26.5 million. Total E&G expenses for Fiscal Year 2007 was equal to $652.5 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 4.92 on June 30, 2006, and 3.73 on June 30, 2007. The decrease means that liabilities grew slightly faster than assets. Specifically, the current ratio of 3.73 implies that the institution had assets to cover 373 percent of its current liabilities. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. UMMC was above this recommended rule of thumb.

The Net Operating Ratio measures financial performance by comparing the net annual surplus or deficit to annual operating revenues. The Net Operating Ratio was .06 on June 30, 2006, and a .04 on June 30, 2007. These positive ratios indicates that UMMC ended each year with a surplus. The rule of thumb is between .02 and .04.

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, 2006, was .70, and for June 30, 2007, the ratio was .87. The ratio increased. UMMC had $161.6 million in debt. This figure is slightly up from the $158.2 million figure of the previous year. There is no established rule of thumb for this indicator, but a positive trend could indicate that Unrestricted Net Assets are growing faster than Long-term Debt.

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 has held relatively constant over the five years under review. The ratio on June 30, 2007, was equal to 0.24. 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 .24 means the institution could operate almost three months 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 percent (or a ratio of .07) meaning that current principal and interest expenses should not be greater than 7 percent of operating expenses. UMMC's ratio on June 30, 2007, was .02 and has held constant for the five years under review. A ratio of .02 means only 2 percent of the expenses supports debt service.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. UMMC's ratio increased to 3.66 for Fiscal Year 2007, up from 3.06 in Fiscal Year 2006.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. For Fiscal Year 2007 the percentage was 8.6, down significantly from 18.0 percent in Fiscal Year 2006. This is the lowest percentage recorded during the five years of review and is once again one of the lowest marks in the IHL System.

Another 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 2007 and decreased to a level of 20.1 percent. At June 30, 2006, the percentage was equal to 36.9. A large reason for the decrease was due to a smaller annual increase to the estimated Allowance for Doubtful Patient Accounts figure. Each year this allowance increases based upon professional estimates made of the collectibility of patient accounts. In 2007, this increase was equal to $85.1 million. In 2006, the estimated increase was equal to $145.1 million. *These large annual increases are normal for large-scale charity type hospitals. At June 30, 2007, the total estimated Allowance for Doubtful Patient Accounts was set at $1.57 billion. At June30, 2006, the Allowance was estimated at $1.48 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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 179.9	$ 204.3	$ 184.6	$ 202.9	$ 219.1	$ 16.2	8.0%	21.8%
Capital Assets	269.9	312.4	321.7	339.4	370.6	31.2	9.2%	37.3%
Other Non-Current Assets	137.4	163.1	164.4	175.1	183.4	8.3	4.7%	33.5%
Total Assets	**$ 587.2**	**$ 679.8**	**$ 670.7**	**$ 717.4**	**$ 773.1**	**$ 55.7**	**7.8%**	**31.7%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 46.3	$ 52.2	$ 53.4	$ 57.6	$ 64.4	$ 6.8	11.8%	39.0%
Non-Current Liabilities	140.2	185.1	179.9	180.8	183.9	3.1	1.7%	31.1%
Net Assets	400.6	442.5	437.4	479.0	524.8	45.8	9.6%	31.0%
Total Liabilities and Net Assets	**$ 587.2**	**$ 679.8**	**$ 670.7**	**$ 717.4**	**$ 773.1**	**$ 55.7**	**7.8%**	**31.7%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (net of scholarship allowance of $0, $0, $1.0 m, $1.5 m & $1.5 m respectively)	$ 4.5	$ 4.5	$ 5.0	$ 5.0	$ 7.0	$ 2.0	40.0%	55.6%
State Appropriations - Operations & Capital	134.2	153.5	151.9	144.5	183.0	38.5	26.6%	36.4%
Grants and Contracts	51.1	54.6	77.9	76.2	82.0	5.8	7.6%	60.5%
Auxiliary Enterprises - Net	10.9	13.3	5.4	4.5	3.9	(0.6)	-13.3%	-64.2%
Patient Fees	386.5	390.6	388.4	435.3	454.1	18.8	4.3%	17.5%
Other	12.6	15.8	27.1	36.5	40.8	4.3	11.8%	223.8%
Total Revenues	**$ 599.8**	**$ 632.4**	**$ 655.7**	**$ 702.0**	**$ 770.8**	**$ 68.8**	**9.8%**	**28.5%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 332.4	$ 343.5	$ 363.1	$ 360.8	$ 404.1	$ 43.3	12.0%	21.6%
Travel	2.6	2.2	2.3	2.0	2.2	0.2	10.0%	-15.4%
Contractual Services & Commodities	221.5	226.6	241.0	249.4	270.7	21.3	8.5%	22.2%
Utilities	9.1	10.7	12.5	17.4	13.0	(4.4)	-25.3%	42.9%
Scholarships and Fellowships	3.5	3.1	4.0	4.0	3.8	(0.2)	-5.0%	8.6%
Depreciation	19.9	17.4	18.7	19.5	21.6	2.1	10.8%	8.5%
Interest on Capital Assets	5.1	5.0	7.4	4.7	6.3	1.6	34.0%	23.5%
Other	1.2	1.5	11.8	2.0	4.5	2.5	125.0%	275.0%
Total Expenses	**$ 595.3**	**$ 610.1**	**$ 660.8**	**$ 659.8**	**$ 726.2**	**$ 66.4**	**10.1%**	**22.0%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ 109.4	$ 150.9	$ 147.8	$ 143.8	$ 139.6	$ (4.2)	-2.9%	27.6%
Capital Leases	5.5	10.1	8.1	14.4	22.0	7.6	52.8%	300.0%
Total Debt	**$ 114.9**	**$ 161.0**	**$ 155.9**	**$ 158.2**	**$ 161.6**	**$ 3.4**	**2.1%**	**40.6%**
Investments	**$ 75.9**	**$ 82.1**	**$ 125.3**	**$ 105.7**	**$ 108.6**	**$ 2.9**	**2.7%**	**43.1%**
Investment Income	**$ 5.4**	**$ 6.8**	**$ 6.6**	**$ 8.4**	**$ 16.6**	**$ 8.2**	**97.6%**	**207.4%**

Notes:
1. Numbers may not total due to rounding
2. 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 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)	$ 5.0	$ 5.3	$ 6.0	$ 6.5	$ 8.5	$ 2.0	30.77%	71.3%
State Appropriations	133.8	147.3	141.0	144.1	182.6	38.5	26.72%	36.4%
Other	406.6	417.6	430.6	466.8	490.4	23.6	5.06%	20.6%
Total Revenue	**$ 545.4**	**$ 570.2**	**$ 577.6**	**$ 617.4**	**$ 681.5**	**$ 64.1**	**10.38%**	**25.0%**
2003 constant dollars	**$ 528.9**	**$ 533.6**	**$ 524.9**	**$ 544.6**	**$ 582.8**	**$ 38.2**	**7.01%**	**10.2%**
Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					
Expenses - by Function	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Instruction	$ 87.8	$ 89.1	$ 90.6	$ 87.4	$ 96.2	$ 8.8	10.07%	9.6%
Research	0.8	1.1	1.2	1.3	1.4	0.1	7.7%	66.6%
Public Service	-	-	-	-	-	-		
Academic Support	11.6	10.9	13.6	11.1	12.6	1.5	13.5%	8.9%
Student Services	0.5	0.5	0.6	0.6	0.7	0.1	16.7%	27.9%
Institutional Support	27.9	29.6	31.1	32.2	35.8	3.6	11.2%	28.3%
Operation & Maintenance	21.3	23.3	24.9	28.6	26.5	(2.1)	-7.3%	24.6%
Scholarships & Fellowships	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Hospital Expenses	377.4	379.3	403.3	410.2	463.7	53.5	13.0%	22.9%
Other & Mandatory Transfers	8.8	8.3	19.9	11.3	15.6	$ 4.3	38.1%	78.0%
Total Expenses	**$ 536.1**	**$ 542.0**	**$ 585.2**	**$ 582.7**	**$ 652.5**	**$ 69.8**	**11.98%**	**21.7%**
2003 constant dollars per FTE*	**$ 519.9**	**$ 507.2**	**$ 531.9**	**$ 514.0**	**$ 558.0**	**$ 44.0**	**8.6%**	**7.3%**
Key Ratios (Formulas in Glossary)	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Current Ratio (measures liquidity)	5.09	4.93	4.71	4.92	3.73	(1.19)	-24.2%	-26.7%
Net Operating Ratio (measures financial performance)	0.02	0.05	(0.01)	0.06	0.04	(0.02)	-33.3%	100.0%
Viability Ratio (measures relative liquidity)	0.99	0.71	0.64	0.70	0.87	0.17	24.3%	-12.1%
Primary Reserve Ratio (measures financial strength)	0.23	0.25	0.20	0.25	0.24	(0.01)	-4.0%	4.3%
Debt Burden Ratio (measures dependence on debt)	0.02	0.02	0.02	0.02	0.02	0.00	3.3%	16.6%
Debt Coverage Ratio (measures excess income to cover debt)	4.38	2.28	0.79	3.06	3.66	0.60	19.6%	-16.4%
Student Tuition Receivables to Net Tuition & Fees	13.7%	10.8%	12.0%	18.0%	8.6%	(0.09)	-52.4%	-37.4%
Change in Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Prior Year's Patient Fees	18.8%	38.3%	39.2%	36.9%	20.1%	(0.17)	-45.5%	6.9%
Selected Data- SYSTEM								
Capital Assets - System (net of depreciation)	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**2006 to 2007 $ Change**	**2006 to 2007 % Change**	**2003 to 2007 % Change**
Land	$ 2.2	$ 2.2	$ 2.2	$ 2.2	$ 2.2	$ -	0.0%	-1.1%
Construction in Progress	60.6	77.3	63.1	66.8	35.0	(31.80)	-47.6%	-42.2%
Buildings	157.7	154.7	174.9	184.1	240.2	56.10	30.5%	52.4%
Improvements other than Buildings	4.0	4.5	4.6	4.5	4.2	(0.30)	-6.7%	5.0%
Equipment	37.1	64.4	67.4	72.0	79.1	7.10	9.9%	113.2%
Library Books	9.0	9.3	9.5	9.8	9.9	0.10	1.0%	10.0%
Livestock	-	-	-	-	-	-		
Total Capital Assets	**$ 270.5**	**$ 312.4**	**$ 321.7**	**$ 339.4**	**$ 370.6**	**$ 31.2**	**9.2%**	**37.0%**
Historical Cost	**$ 444.4**	**$ 478.6**	**$ 502.1**	**$ 537.3**	**$ 585.5**	**$ 48.2**	**9.0%**	**31.8%**

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, 2007, the total assets were equal to $85.8 million, compared to $66.5 million on June 30, 2006, an increase of $19.3 million. The inclusion of the Critical Needs Teachers Program as a student notes receivable component for the first time in FY 2007 was the most significant increase recorded during the year ($18.0 million).

Liabilities increased to $26.3 million as of June 30, 2007, up from $23.8 million on June 30, 2006, an increase of $2.5 million. Approximately $1.8 million of this increase was attributable to the Board Office's Workers Compensation 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 approached $59.5 million on June 30, 2007, and $42.7 million on June 30, 2006. The $16.8 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 2007, the system generated revenues of $117.5 million from all sources and all funds. When compared to all revenues, State Appropriations (37.4 percent), Contracts and Grants (52.9 percent), and custodial funds (7.4 percent) made up the largest categories of revenue for the institution.

The Executive Office expended $117.3 million in Fiscal Year 2007. 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 9.2 percent ($10.8 million) of all dollars spent were spent on salaries, wages, and fringe benefits. Commodities and contractual services made up approximately 20.3 percent of the dollars expended ($23.8 million). The largest expenditure was $76.5 million (65.2 percent) on state, and federal scholarships, as well as Hurricane Katrina tuition payments to public and private four-year and two-year institutions.

Education and General Funds
The educational and general (E&G) fund, when considered separately from all other funds, had one main sources of revenue – State Appropriations (72 percent) in Fiscal Year 2007. This is the largest funding source supporting the general operations of the office. From Fiscal Year 2004 to Fiscal Year 2007, state appropriations increased $0.1 million. Appropriations actually increased approximately 6.8 percent over Fiscal Year 2006, and its 2007 level equals $7.8 million. Total E&G revenues for Fiscal Year 2007 were $10.9 million.

The Executive Office does not have the same expenditure functions as the campus; therefore, the analysis of the General Fund is not provided. Total E&G expenses for Fiscal Year 2007 were $10.9 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 Executive Office was 11.0 on June 30, 2006, and 3.5 on June 30, 2007. The rule of thumb (non-industry specific) for this ratio should be 2:1, or 2.0. The Executive Office was above this recommended rule of thumb.

The Net Operating Ratio measures financial performance by comparing the 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 .02 on June 30, 2006, and .01 on June 30, 2007. This ratio indicates that the office ended both years with a surplus. The rule of thumb is typically between .02 and .04.

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. 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 Unrestricted Net Assets without depending on revenues from current operations. Because the Executive Office is dependent on state appropriations which lapse, the reserve is small. For Fiscal Year 2006 the Executive Office had a ratio of .05. This ratio remained steady at .05 for Fiscal Year 2007. The Executive Office could not operate without reliance on a drawdown from state appropriations. A good rule of thumb is for E&G net assets to grow at the same growth rate as expenses. Because of the nature of the Executive Office funding, the rule is not applicable to the Executive Office.

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 percent (or a ratio of .07) meaning the current principal and interest expenses should not be greater than 7 percent of operating expenses. The Executive Office does not have any current debt; therefore, the ratio is not applicable to the Executive Office.

The Debt Coverage Ratio measures income available to cover annual debt service payments. This ratio indicates to creditors whether an institution has a net income stream available to meet its debt burden should economic conditions change. There is no rule of thumb for this ratio; however, a low ratio or declining trend is cause for concern regarding the institution's ability to sustain operations. The Executive Office does not have any current debt; therefore, the ratio is not applicable to the Executive Office.

The Percentage of Student Tuition Receivable to Net Tuition and Fees indicates how well the institution is collecting payments from students for tuition. A high ratio means the institution is not collecting student tuition receivables timely. The Executive Office does not have tuition revenue; therefore, the ratio is not applicable to the Executive Office.

Another ratio measurement an institution can use to evaluate its collection efforts is the Change in the Allowance for Doubtful Accounts as a Percent of Prior Year's Tuition and Patient Fees. The Executive Office does not have tuition revenue; 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, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Assets	$ 25.2	$ 11.6	$ 8.2	$ 11.7	$ 17.8	$ 6.1	52.1%	-29.4%
Capital Assets	6.1	6.0	5.7	5.5	5.7	0.2	3.6%	-6.6%
Other Non-Current Assets	29.1	41.9	44.5	49.3	62.3	13.0	26.4%	114.1%
Total Assets	**$ 60.4**	**$ 59.5**	**$ 58.4**	**$ 66.5**	**$ 85.8**	**$ 19.3**	**29.0%**	**42.1%**

Liabilities and Net Assets	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Liabilities	$ 18.9	$ 10.3	$ 5.9	$ 7.3	$ 8.4	$ 1.1	15.1%	-55.6%
Non-Current Liabilities	0.6	12.8	14.2	16.5	17.9	1.4	8.5%	2883.3%
Net Assets	40.9	36.4	38.3	42.7	59.5	16.8	39.3%	45.5%
Total Liabilities and Net Assets	**$ 60.4**	**$ 59.5**	**$ 58.4**	**$ 66.5**	**$ 85.8**	**$ 19.3**	**29.0%**	**42.1%**

Revenues and Expenses

Revenues	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition	$ -	$ -	$ -	$ -	$ -	$ -		
State Appropriations - Operations & Capital	38.5	35.9	37.2	40.9	43.9	3.0	7.3%	14.0%
Grants and Contracts	14.7	13.9	12.7	58.4	62.2	3.8	6.5%	323.1%
Auxiliary Enterprises - Net	1.9	1.9	2.1	2.1	2.1	-	0.0%	10.5%
Patient Fees	-	-	-	-		-		
Other	10.0	13.4	15.1	16.3	9.3	(7.0)	-42.9%	-7.0%
Total Revenues	**$ 65.1**	**$ 65.1**	**$ 67.1**	**$ 117.7**	**$ 117.5**	**$ (0.2)**	**-0.2%**	**80.5%**

Expenses	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Salaries, Wages, and Fringe Benefits	$ 12.0	$ 9.9	$ 9.9	$ 10.4	$ 10.8	$ 0.4	3.8%	-10.0%
Travel	0.3	0.3	0.4	0.3	0.4	0.1	33.3%	33.3%
Contractual Services & Commodities	17.9	19.4	18.8	19.6	23.8	4.2	21.4%	33.0%
Utilities	0.8	0.9	0.9	1.0	0.8	(0.2)	-20.0%	0.0%
Scholarships and Fellowships	29.1	29.8	29.8	73.7	76.5	2.8	3.8%	162.9%
Depreciation	0.3	0.3	0.3	0.3	0.3	-	0.0%	0.0%
Interest on Capital Assets	-	-	-	-	-	-		
Other	0.9	7.7	5.6	8.0	4.7	(3.3)	-41.3%	422.2%
Total Expenses	**$ 61.3**	**$ 68.2**	**$ 65.7**	**$ 113.3**	**$ 117.3**	**$ 4.0**	**3.5%**	**91.4%**

Selected Data

Debt	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Bonded Debt & Notes Payable	$ -	$ -	$ -	$ -	$ -	$ -		
Capital Leases	-	-	-	-	-	-		
Total Debt	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**		
Investments	**$ 18.2**	**$ 21.3**	**$ 23.9**	**$ 33.4**	**$ 32.9**	**$ (0.5)**	**-1.5%**	**80.8%**
Investment Income	**$ 0.8**	**$ 0.6**	**$ 0.8**	**$ 0.3**	**$ 1.4**	**$ 1.1**	**366.7%**	**75.0%**

Notes:
1. Numbers may not total due to rounding
2. 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 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Tuition (gross)		$ -	$ -	$ -	$ -	$ -		
State Appropriations	-	7.7	7.5	7.3	7.8	0.5	6.85%	#DIV/0!
Other	-	3.6	2.8	3.7	3.1	(0.6)	-16.22%	#DIV/0!
Total Revenue	**$ -**	**$ 11.3**	**$ 10.3**	**$ 11.0**	**$ 10.9**	**$ (0.1)**	**-0.91%**	**#DIV/0!**
2003 constant dollars	**$ -**	**$ 10.6**	**$ 9.4**	**$ 9.7**	**$ 9.3**	**$ (0.4)**	**-3.93%**	**#DIV/0!**
Higher Education Cost Adjustment (HECA)	**Fiscal Year 2007 = 3.2%**		**Five Year = 13.82%**					

Expenses - by Function	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Instruction	$ -	$ -	$ -	$ -	$ -	$ -		
Research	-	-	-	-	-	-		
Public Service	-	0.9	1.1	1.2	1.0	(0.2)	-16.7%	
Academic Support	-	-	-	-	-	-		
Student Services	-	-	-	-	-	-		
Institutional Support	-	7.7	7.4	7.8	8.5	0.7	9.0%	
Operation & Maintenance	-	1.5	1.7	1.6	1.4	(0.2)	-12.5%	
Scholarships & Fellowships	-	-	-	-	-	-		
Hospital Expenses	-	-	-	-	-	-		
Other & Mandatory Transfers	-	-	-	0.2	0.0	$ (0.2)	-99.0%	
Total Expenses	**$ -**	**$ 10.2**	**$ 10.2**	**$ 10.8**	**$ 10.9**	**$ 0.1**	**0.94%**	**#DIV/0!**
2003 constant dollars	**$ -**	**$ 9.6**	**$ 9.3**	**$ 9.5**	**$ 9.3**	**$ (0.2)**	**-2.14%**	**#DIV/0!**

Key Ratios (Formulas in Glossary)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Current Ratio (measures liquidity)	-	0.86	9.00	11.00	3.50	(7.50)	-68.2%	
Net Operating Ratio (measures financial performance)	-	0.10	0.01	0.02	0.01	(0.01)	-50.0%	
Viability Ratio (measures relative liquidity)	233.33	178.57	290.00	320.00	340.00	20.00	6.3%	45.7%
Primary Reserve Ratio (measures financial strength)	-	0.01	0.02	0.05	0.05	-	0.0%	
Debt Burden Ratio (measures dependence on debt)	-	-	-	-	-	-		
Debt Coverage Ratio (measures excess income to cover debt)	(83.33)	233.33	173.27	147.42	130.07	(17.35)	-11.8%	-256.1%
Student Tuition Receivables to Net Tuition & Fees	N/A	N/A	N/A	N/A	N/A			
Student Tuition Receivables to Net Tuition & Fees after	N/A	N/A	N/A	N/A	N/A			

Selected Data- SYSTEM

Capital Assets - System (net of depreciation)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	2006 to 2007 $ Change	2006 to 2007 % Change	2003 to 2007 % Change
Land	$ -	$ -	$ -	$ -	$ -	0.0		
Construction in Progress	-	-	-	-	-	0.0		
Buildings	5.7	5.5	5.3	5.1	5.3	0.2	3.9%	-7.3%
Improvements other than Buildings	0.2	0.2	0.2	0.2	0.1	-0.1	-50.0%	-47.1%
Equipment	0.2	0.3	0.2	0.2	0.3	0.1	50.0%	76.2%
Library Books	-	-	-	-	-	0.0		
Livestock	-	-	-	-	-	0.0		
Total Capital Assets	**$ 6.1**	**$ 6.0**	**$ 5.7**	**$ 5.5**	**$ 5.7**	**$ 0.2**	**3.6%**	**-6.2%**
Historical Cost	**$ 11.6**	**$ 11.8**	**$ 11.6**	**$ 11.6**	**$ 12.1**	**$ 0.5**	**4.3%**	**4.4%**

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

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 + Mandatory Transfers
divided by
E&G Revenues

Viability Ratio

Unrestricted Net Assets
divided by
Outstanding Long Term Debt

Primary Reserve Ratio

E&G Net Assets (Fund Balance)
divided by
E&G Expenses + Mandatory Transfers

Debt Burden Ratio

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

*Debt Coverage Ratio**

Change in Unrestricted Net Assets + Interest Expense+ Depreciation Expense
divided by
Principal + Interest Expense + Trustees' Fees

Student Tuition Receivable

Student Tuition Accounts Receivable
divided by
Net Tuition

Student Tuition Receivable Adjusted

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

Change in Allowance for Doubtful Accounts

Change in Allowance for Doubtful Accounts
divided by
Prior Year's Net Tuition

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.