Financial Report

June 30, 2022

[Unaudited]

The University of Mississippi
Medical Center • Jackson

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MANAGEMENT’S DISCUSSION AND ANALYSIS

The University of Mississippi Medical Center (“the Medical Center”) presents its financial statements for fiscal year 2022. Management’s discussion and analysis provides an overview of the Medical Center’s financial activities.

The Medical Center Educational Building Corporation (the Corporation) is a nonprofit corporation and was incorporated in the State of Mississippi with the approval of the Board of Trustees of the State Institutions of Higher Learning (the Board) for the State of Mississippi on June 26, 1991. The purpose of the Corporation is for the acquisition, construction, and equipping of facilities and land for the Medical Center. The Corporation operates on a June 30 fiscal year-end for financial and tax reporting purposes.

The Corporation is a blended component unit of the Medical Center in accordance with Governmental Accounting Standards Board Statement Number 39. The financial statements of the Medical Center include the Corporation due to the composition of the Corporation’s Board of Directors and the purpose of the Corporation.

The Medical Center’s financial statements consist of three basic financial statements that provide information on the Medical Center as a whole: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Each one of these statements will be discussed.

The Medical Center

The Medical Center operates six health profession schools, including medicine, and a graduate school in the health sciences. Our graduates make up the backbone – and include many of the leaders – of Mississippi’s health-care workforce.

The Medical Center is an integrated health system that trains doctors, nurses, and allied health professionals, offers some of the state’s most advanced medical services and serves as a safety net for our most vulnerable citizens. The Medical Center is also a biomedical and clinical research center, seeking new treatments and cures for diseases and conditions that affect Mississippians and sharing innovative knowledge with our trainees.

Our three missions – education, research, and healthcare – are intertwined to provide the best possible education for the state’s brightest students and cutting-edge health services for our patients.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and the net position components of the Medical Center using the accrual basis of accounting. The Statement of Net Position is a point in time financial statement. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows and the components of Net Position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows).

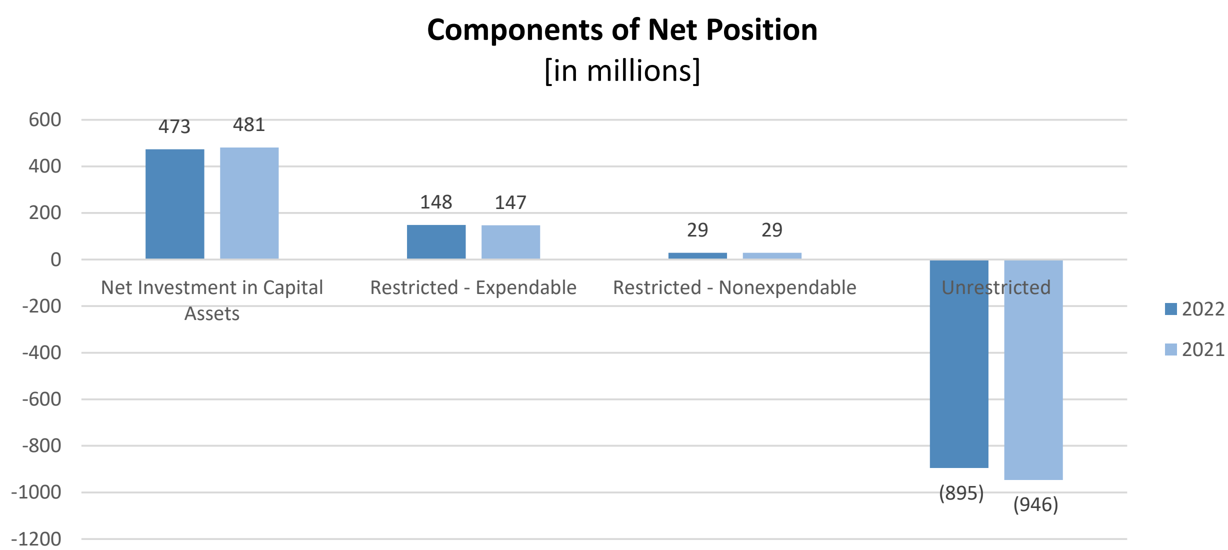
Statement of Net Position (continued)

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Medical Center. They also are able to determine how much the institution owes vendors and other lending institutions.

Finally, the Statement of Net Position provides a picture of the components of net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution.

The components of Net Position are divided into three major categories. The first category, net investment in capital assets, provides the Medical Center's equity in capital assets owned by the institution. The next category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted resources are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted. Unrestricted assets are available to the institution for any lawful purpose of the institution.

The following graph illustrates the comparative change in net position by category for fiscal years 2022 and 2021:



Statement of Net Position (continued)

Statement of Net Position (in thousands)
[Unaudited]

	2022	2021
Assets and Deferred Outflows		
Current Assets	$ 606,596	$ 750,340
Capital Assets, Net	919,461	852,725
Other Assets	412,365	332,805
Deferred Outflows	214,032	226,942
Total Assets and Deferred Outflows	2,152,454	2,162,812
Liabilities and Deferred Inflows		
Current Liabilities	316,656	386,683
Noncurrent Liabilities	1,665,988	2,008,377
Deferred Inflows	414,341	57,080
Total Liabilities and Deferred Inflows	2,396,985	2,452,140
Net Position		
Net Investment in Capital Assets	473,352	480,674
Restricted - Expendable	148,182	147,429
Restricted - Nonexpendable	28,766	28,680
Unrestricted	(894,831)	(946,111)
Total Net Position	$ (244,531)	$ (289,328)

At June 30, 2022 current assets totaled $606.6 million and consisted primarily of cash and cash equivalents, short term investments and net receivables. Current assets decreased 19.2% ($143.8 million) from 2021. Cash, cash equivalents, and short-term investments constituted approximately 66% of current assets as of June 30, 2022 while accounts receivables constituted approximately 24.4% of current assets. Approximately 67.4% of these receivables were related to patient care receivables.

Capital assets, net of accumulated depreciation, increased by $66.7 million from 2021. Additional detail on capital assets can be found in Note 5 of the *Notes to the Financial Statements*.

At June 30, 2022, current liabilities equaled $316.7 million and consisted primarily of accounts payable and accrued liabilities, and other current liabilities. Other current liabilities include amounts due to third party payors. Current liabilities decreased 18.1% ($70 million) from 2021. Accounts payable and accrued liabilities decreased 10.9% ($19.1 million) and other current liabilities decreased 44.6% ($75.4 million.)

Statement of Net Position (continued)

The Medical Center implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* during fiscal year 2015. The Medical Center also implemented both GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and GASB No. 81, *Irrevocable Split-Interest Agreements*, during fiscal year 2018. During fiscal year 2022, the Medical Center implemented GASB Statement No. 87, *Leases* (GASB 87). As a result, deferred outflows of resources of $214 million and $226.9 million have been recorded for 2022 and 2021, respectively. Deferred inflows of resources of $414.3 million and $57.1 million, have been recorded for 2022 and 2021, respectively. Net pension liability (classified as a noncurrent liability) of $1.109 billion and $1.498 billion, have been recorded for 2022 and 2021, respectively. Net other postemployment benefits (OPEB) liability (classified as a noncurrent liability) of $48 million and $60.4 million, have been recorded for 2022 and 2021, respectfully.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end (June 30th). At June 30, 2022 noncurrent liabilities decreased 17% ($342.4 million) from 2021. The decrease was due to a combination of a decrease in the net pension liability ($389.1 million) and an increase due to the implementation of GASB 87 ($90.9 million.)

The consumption of assets follows the Medical Center's policy to use available resources to meet the goals of the institution in the areas of instruction, research, patient care and public service. At June 30, 2022, the total assets of the Medical Center increased $2.6 million from 2021. Total liabilities decreased $412.4 million from 2021. Unrestricted net position increased $51.3 million from 2021.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to present the revenues received, both operating and nonoperating, and the expenses paid, operating and nonoperating, and any other revenues, expenses, gains and losses received or disbursed by the Medical Center.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Medical Center. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Medical Center. The net result of operating activities is presented as operating income or loss. The Medical Center has historically reported an operating loss due to type and nature of revenues classified as nonoperating. For example, state appropriations, a material source of revenue, are classified as nonoperating. Therefore, "change in net position" is more indicative of overall financial results for the fiscal year. Nonoperating revenues are revenues received for which goods and services are not provided.

Statement of Revenues, Expenses and Changes in Net Position (continued)

Statement of Revenues, Expenses and Changes in Net Position (in thousands)
[Unaudited]

	2022	2021
Operating Revenues	$ 1,501,927	$ 1,383,082
Operating Expenses	1,655,187	1,650,850
Operating Loss	(153,260)	(267,768)
Net Nonoperating Revenues and Expenses	191,706	246,834
Income Before Other Revenues, Expenses, Gains or Losses	38,446	(20,934)
Other Revenues, Expenses, Gains or Losses	6,351	50,623
Change in Net Position	44,797	29,689
Net Position, beginning of year, as originally reported	(289,328)	(319,017)
Net Position, end of year	$ (244,531)	$ (289,328)

The largest sources of operating revenues were from patient care, and grants and contracts. Net patient care revenues totaled $1.251 billion for 2022, an increase of 6.4% from 2021.

The Medical Center receives grant and contract revenue from federal, state, and private agencies. Grant and contract revenue totaled $93.4 million for 2022, an increase of 13.6% from 2021.

Tuition and fees, net of scholarship allowances, totaled $38.7 million for 2022, an increase of 4.1% from 2021. This increase was due to tuition increases and increases in student enrollment.

The largest category of operating expenses is salaries, wages and fringe benefits, representing 58.2%, for the year ended 2022. Salaries, wages and fringe benefits totaled $963.6 million, a decrease of 7.7% from 2021. Significant variances were salary increases, volume increases and service mix changes, and changes in proportionate share related to the net GASB 68 pension expense adjustment.

The Medical Center relies on funding from state appropriations. The Medical Center recognized state educational appropriations from the State of Mississippi totaling $170.2 million in 2022, which is included as nonoperating revenue. The Medical Center also recognized capital appropriations from the State of Mississippi totaling $5.7 million in 2022, which is included as a component of other revenues, expenses, gains, or losses.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the Medical Center during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the Medical Center. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash Flows for the Year ended June 30, (in thousands)
[Unaudited]

	2022	2021
Cash provided (used) by:		
Operating Activities	$ (176,687)	$ (77,628)
Noncapital financing activities	216,816	220,373
Capital and related financing activities	(61,722)	(1,856)
Investing activities	(270,362)	(92,120)
Net Change in Cash	(291,955)	48,769
Cash and cash equivalents, beginning of the year	478,194	429,425
Cash and cash equivalents, end of the year	$ 186,239	$ 478,194

The condensed statements illustrate the composition of cash sources and uses of funds for fiscal year 2022. The Medical Center used $176.7 million of cash for operating activities, offset by $216.8 million, of cash provided by noncapital financing activities in 2022. Noncapital financing activities include state educational appropriations and gifts received for other than capital purposes that are used to support operating expenses.

Cash of $61.7 million in 2022, was used for capital and related financing activities, primarily purchases of capital assets and principal and interest payments on long-term debt, partially offset by sources that included grants and contracts for capital purposes. Cash used in investing activities totaled $270.4 million in 2022.

Long-Term Liability and Debt Activities

For the Medical Center to continue its service to the community it must have state of the art health and teaching facilities. Medical Center management continues to support funding for the repair and replacement of physical facilities and equipment in support of the missions of education, research, and healthcare.

The Medical Center has continued to make significant investments in capital assets. The total debt of the Medical Center decreased by $15.2 million from 2021. Additional detail on bonded debt can be found in Note 9 of the *Notes to the Financial Statements*.

Financial Highlights

Operating revenues have increased 8.6% ($118.8 million) from 2021. Pharmacy and patient care revenues represent the majority of the increase. Total operating expenses have increased 0.3% ($4.3 million) since 2021.

The Medical Center's revenue financial results are a product of many different factors. Management continues to grow clinical volumes and track and collect revenues owed on receivables.

The Medical Center utilizes the electronic health record system (Epic). The Epic system promotes efficient and effective clinical care in day-to-day operations, research and teaching. The system impacts every aspect of the clinical and patient experience from admission and registration, through all clinical interaction, discharge and billing.

On September 1, 2012, the Medical Center consolidated the business operations related to University Physicians under the Medical Center umbrella. The assets and liabilities related to University Physicians prior to the consolidation date remained in University Physicians PLLC, a separate legal entity. The assets and liabilities generated after the consolidation date are included in these financial statements. This consolidation represents the Medical Center's focus on improving efficiency and effectiveness in operations. With a consolidation of the Medical Center and University Physicians there is one patient billing system and statement, a single electronic health record, and a consolidated use of the financial software for key business processes and financial reporting.

On September 1, 2013, the Medical Center began managing the Grenada Lake Medical Center (Grenada). At the August 2013 meeting of the governing board of the Mississippi Institutions of Higher Learning, the Medical Center was given permission to begin managing Grenada on September 1, 2013. On January 1, 2014 the Medical Center entered into a lease to become fully responsible for the operation of the 156-bed hospital.

Economic Outlook

Medical Center management, faculty, and staff remain committed to improving the health status of all Mississippians through the institution's three missions of education, research, and clinical care. Receipt of COVID-19 relief funds, post-pandemic recovery of health system volumes, and a return to previous levels of state appropriated dollars in fiscal year 2022 have contributed to the Medical Center's initial recovery from the pandemic. Strategic cost saving measures implemented during the COVID downturn also contributed. These measures will continue to benefit future financial results. Executive leadership's commitment to execute the long-term strategic and financial plan will strike a solid balance between allowing further investment in the Medical Center while ensuring adequate levels of liquidity, debt coverage, and operating margin. The Medical Center continued to benefit in fiscal year 2022, from debt refinancing which took advantage of historically low costs of capital in the bond markets during previous periods. This action allowed the institution to refinance existing debt and improve cash reserves with no increase in long term debt service cost. Future strategic expansion off campus clinical operations is also planned.

Economic Outlook (continued)

The majority of the Medical Center's revenues come from the Health System. It is critical for the Medical Center to provide the highest quality and most efficient patient care possible. Costs for medical equipment, pharmaceuticals, and medical supplies will continue to increase under economic inflationary pressure. Nationwide shortages of nurses and other medical support staff continue to exert upward pressure on labor costs. A challenging payor mix and high level of patient acuity, have been and will continue to be a challenge. Hospital and clinical volumes have begun recovery from the COVID-19 challenges of fiscal years 2020 and 2021, and this recovery is expected to continue.

Case management policies and external relationships with other hospitals and long-term acute care facilities will continue to play an important role in maintaining capacity and remain priorities of healthcare and financial leadership at the Medical Center.

The Medical Center's COVID-19 financial recovery plan has partially offset the negative impact of the virus on the Medical Center's balance sheet over the past two fiscal years. This progress is expected to continue. The Medical Center continues to improve the efficiency of operations across all missions by using technology effectively, as well as continued application of executed data driven strategies and decision making. Strategic financial planning will continue to focus on volume growth with improved payer mix, external affiliations with providers and payers, and innovative revenue streams. Capital required for infrastructure growth and maintenance continues to require strategic planning and innovative thinking from institutional leadership; therefore, capital growth continues to be a major part of the institution's long-term strategic plan. A tight labor market remains for physician specialists and health care workers in nursing and technical areas.

The number of student applications remains strong for academic programs, with School of Nursing enrollment especially strong in today's healthy nursing employment environment. All slots for the recently expanded School of Medicine student population are filled. School of Dentistry applications remain stable. Looking to the future, the Mississippi state legislature is proposing additional allocations of state appropriations for a new School of Nursing facility, as well as a physical expansion of the School of Dentistry. Construction should be complete within the next three years. As the only pediatric intensive care unit and emergency department in Mississippi, the Kathy and Joe Sanderson Tower at the Children's of Mississippi Hospital continues to provide increases in pediatric volumes while providing a unique mix of medical services. Research also revenue continues to grow, and this trend is anticipated to continue. Important external affiliations with other leading research institutions are expected to economically benefit the research and clinical missions of the Medical Center. Plans are underway for clinical operations to continue to expand into surrounding county areas where a more favorable payer mix should provide patient revenue growth.

At the Medical Center, we know our three missions of education, research and patient care all work together to build a healthier Mississippi, and we are sharing our mission with the entire state in a new brand campaign called All for Your Health. Even while facing the routine challenges and uncertainties of the health care industry, recovering from a national pandemic, and growing capital and labor costs, Medical Center management believes its strategic financial planning for targeted growth and cost containment continues to position the Medical Center for success.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF NET POSITION
June 30, 2022
[Unaudited]

Assets and Deferred Outflows	
Current Assets:	
Cash and Cash Equivalents (note # 2)	$ 81,368,555
Short Term Investments (note # 2)	319,008,858
Accounts Receivable, Net (note # 3)	147,146,797
Student Notes Receivable, Net (note # 4)	1,143,152
Inventories	35,374,177
Prepaid Expenses	13,187,769
Other Current Assets	9,366,450
Total Current Assets	606,595,758
Noncurrent Assets:	
Restricted Cash and Cash Equivalents (note # 2)	104,870,629
Endowment Investments (note # 2)	97,178,011
Other Long Term Investments (note # 2)	164,441,665
Accounts Receivable, Net (note # 3)	4,285,269
Student Notes Receivable, Net (note # 4)	3,272,397
Beneficial Interest in Irrevocable Trusts	38,316,824
Capital Assets, Net (note # 5)	919,461,106
Total Noncurrent Assets	1,331,825,901
Total Assets	1,938,421,659
Deferred Outflows of Resources (note # 6)	214,031,881
Total Assets and Deferred Outflows of Resources	$ 2,152,453,540
Liabilities, Deferred Inflows and Net Position	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (note # 7)	$ 156,095,778
Unearned Revenues (note # 8)	26,576,114
Accrued Leave Liabilities - Current Portion (note # 9)	6,474,712
Long Term Liabilities - Current Portion (note # 9)	33,995,511
Other Current Liabilities	93,514,238
Total Current Liabilities	316,656,353
Noncurrent Liabilities:	
Accrued Leave Liabilities (note # 9)	61,911,603
Long Term Liabilities (note # 9)	445,070,041
Net Pension Liability (note # 13)	1,108,966,743
Net OPEB Liability (note 14)	47,990,300
Other Noncurrent Liabilities (note # 9)	2,049,506
Total Noncurrent Liabilities	1,665,988,193
Total Liabilities	1,982,644,546
Deferred Inflows of Resources (note # 6)	414,340,423
Total Liabilities and Deferred Inflows of Resources	$ 2,396,984,969
Net Position:	
Net Investment in Capital Assets	$ 473,351,806
Restricted for:	
Nonexpendable -	
Other Purposes	28,766,203
Expendable -	
Scholarships and Fellowships	8,718,729
Research	44,001,512
Debt Service	1,204,437
Loans	7,465,227
Other Purposes	86,791,735
Unrestricted	(894,831,078)
Total Net Position	$ (244,531,429)

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2022
[Unaudited]

Operating Revenues:		
Tuition and Fees		$ 45,377,371
Less: Scholarship Allowances		(6,714,627)
Net Tuition and Fees		38,662,744
Federal Grants and Contracts		70,786,931
State Grants and Contracts		6,811,814
Nongovernmental Grants and Contracts		15,787,043
Sales and Services of Educational Departments		1,208,422
Auxiliary Enterprises:		
Bookstore		1,717,625
Other Auxiliary Revenues		867,599
Interest Earned on Loans to Students		348,682
Patient Care Revenues, Net		1,251,077,962
Other Operating Revenues		114,657,843
	Total Operating Revenues	1,501,926,665
Operating Expenses:		
Salaries and Wages		781,532,816
Fringe Benefits		211,527,541
Net GASB 68 Pension Expense Adjustment		(25,457,357)
OPEB Expense		(4,041,587)
Travel		1,439,253
Contractual Services		237,256,511
Utilities		16,483,613
Scholarships and Fellowships		8,825,765
Commodities		360,872,552
Depreciation and Amortization		66,648,269
Other Operating Expenses		99,489
	Total Operating Expenses	1,655,186,865
	Operating Loss	(153,260,200)
Nonoperating Revenues (Expenses):		
State Appropriations		170,192,799
Gifts and Grants		47,165,352
Investment Loss, Net of Investment Expense		(12,021,793)
Interest Expense on Capital Asset-Related Debt		(13,630,243)
	Total Nonoperating Revenues, Net	191,706,115
Income Before Other Revenues, Expenses, Gains and Losses		38,445,915
Capital Grants and Gifts		1,045,476
State Appropriations Restricted for Capital Purposes		5,677,872
Additions to Permanent Endowments		35,932
Other Deletions		(408,039)
	Change in Net Position	44,797,156
Net Position		
Net Position - Beginning of Year		(289,328,585)
	Net Position - End of Year	$ (244,531,429)

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF CASH FLOW
For the Fiscal Year Ended June 30, 2022
[Unaudited]

Operating Activities:	
Tuition and Fees	$ 40,635,625
Grants and Contracts	99,170,509
Sales and Services of Educational Departments	1,208,422
Payments to Suppliers	(623,774,516)
Payments to Employees for Salaries and Benefits	(994,482,991)
Payments for Utilities	(16,483,613)
Payments for Scholarships and Fellowships	(9,469,113)
Loans Issued to Students	(433,747)
Collection of Loans to Students	2,782,727
Federal Loan Program Receipts	35,107,908
Federal Loan Program Disbursements	(37,918,123)
Auxiliary Enterprise Charges:	
Bookstore	1,034,138
Other Auxiliary Enterprises	867,599
Patient Care Services	1,211,040,883
Interest Earned on Loans to Students	348,682
Other Receipts	113,917,185
Other Payments	(238,591)
Net Cash Used in Operating Activities	(176,687,016)
Noncapital Financing Activities:	
State Appropriations	170,192,799
Gifts and Grants for Other than Capital Purposes	47,165,352
Private Gifts for Endowment Purposes	35,932
Other Uses	(578,425)
Net Cash Provided by Noncapital Financing Activities	216,815,658
Capital and Related Financing Activities:	
Cash Paid for Capital Assets	(29,062,386)
Capital Appropriations Received	4,941,899
Capital Grants and Contracts Received	3,980,654
Proceeds from Sales of Capital Assets	81,093
Principal Paid on Capital Debt and Leases	(27,210,353)
Interest Paid on Capital Debt and Leases	(14,452,513)
Net Cash Used in Capital and Related Financing Activities	(61,721,606)
Investing Activities:	
Proceeds from Sales and Maturities of Investments	154,447,640
Interest Received on Investments	6,385,829
Purchases of Investments	(431,195,176)
Net Cash Used in Investing Activities	(270,361,707)
Net Change in Cash and Cash Equivalents	(291,954,671)
Cash and Cash Equivalents - Beginning of Year	478,193,855
Cash and Cash Equivalents - End of Year	$ 186,239,184

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF CASH FLOW
For the Fiscal Year Ended June 30, 2022
[Unaudited]

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	$ (153,260,200)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization Expense	66,648,269
Self-Insured Claims Expense	2,733,717
Provision for Uncollectible Receivables	140,276,635
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Net Receivables	(117,299,440)
Loans to Students	1,185,349
Inventories	(218,173)
Prepaid Expenses	(2,606,244)
Deferred Outflows of Resources	12,025,309
Other Assets	558,285
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	(18,688,403)
Unearned Revenues	13,629,412
Accrued Leave Liability	(5,090,684)
Net OPEB Liability	(12,363,005)
Net Pension Liability	(389,135,156)
Deferred Inflows of Resources	362,935,308
Other Liabilities	(78,017,995)
Total Adjustments	(23,426,816)
Net Cash Used in Operating Activities	$ (176,687,016)
Reconciliation of Cash and Cash Equivalents:	
Current Assets - Cash and Cash Equivalents	$ 81,368,555
Noncurrent Assets - Cash and Cash Equivalents	104,870,629
Cash and Cash Equivalents - End of Year	186,239,184
Noncash Transactions	
1.) Unrealized Gain/(Loss) on Fair Value of Investments	$ (18,741,588)
2.) Bureau of Buildings and Grounds - Construction in Progress and Buildings	735,973
3.) Donation of Capital Assets	26,075
4.) Assets Acquired Through Capital Lease Obligations	103,693,530

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

(a) Nature of Operations – As the only academic health center in the State of Mississippi (the State), the University of Mississippi Medical Center (Medical Center or UMMC) is dedicated to the education and training of health care professionals, research, patient care, and public service.

(b) Reporting Entity – The Mississippi Constitution was amended in 1943 to create a Board of Trustees of State Institutions of Higher Learning (IHL Board). This constitutional IHL Board provides management and control of Mississippi's system of universities. The Medical Center is a member of the State of Mississippi of Institutions of Higher Learning (IHL).

The current twelve IHL Board members were appointed by the Governor and approved by the Senate for twelve year terms as follows: one from each of the seven congressional districts, one from each of the three Supreme Court Districts, and two appointed from the state-at-large. The Mississippi Constitution was amended in 2003 to change the length of terms and appointment districts for IHL Board members. New appointments will occur from three current Supreme Court districts for terms of nine years.

The Medical Center's financial statements include the accounts of the University of Mississippi Medical Center Educational Building Corporation (MCEBC), an educational building corporation and a nonprofit corporation incorporated in the State established in accordance the Mississippi Code § (MS Code §) 37-101-61 (2013). The purpose of this corporation is for the acquisition, construction, and equipping of facilities and land for the Medical Center. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 1, *The Financial Reporting Entity: Omnibus* (GASB Statement No. 61), this educational building corporation is deemed to be a material component unit of the Medical Center and is reported as a blended component unit. See note 15 for detailed MCEBC activities.

IHL is considered a component unit of the State reporting entity.

The IHL Board has delegated authority to and empowered operational committees to assist in the oversight and execution of Medical Center operations. One such operational committee at UMMC (UMMC Board), created for oversight and execution of the Medical Center, and one the Joint Committee on Investments, created to assist UMMC and other IHL Universities in investment policy creation, oversight, and strategic planning. These operational committees report to the IHL Board.

(c) Basis of Presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the GASB. The Medical Center's financial statements follow the "business-type activities" reporting which provides a comprehensive one-look at the Medical Center's financial activities.

(d) Basis of Accounting – The financial statements of the Medical Center have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Note 1 – Summary of Significant Accounting Policies (continued)

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

(e) Newly Adopted Accounting Standards – On June 30, 2022, UMMC adopted GASB Statement No. 87, *Leases*. This standard establishes the recognition of certain lease assets and liabilities that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. UMMC adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard establishes accounting requirements for interest cost incurred before the end of a construction period. Such costs should now be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. UMMC adopted the requirements of the guidance effective July 1, 2021, and has prospectively applied the provisions of this standard to the beginning of the period of adoption.

(f) Recently Issued Accounting Standards – UMMC is currently evaluating the following pronouncements that are most likely to impact financial reporting.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The original effective date of this Statement was for reporting periods beginning after December 15, 2020. This Statement is now effective for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. As a result of global reference rate reform, the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The removal of LIBOR as an appropriate benchmark interest rate was effective for reporting periods ending after December 31, 2021, with all other requirements of this Statement effective for reporting periods beginning after June 15, 2020. This statement is now effective for reporting periods beginning after June 15, 2021.

Note 1 – Summary of Significant Accounting Policies (continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The effective date of this statement is for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. SBITAs provide end users with access to vendors' IT software and associated tangible capital assets for subscription payments without granting perpetual license or title to those assets. A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The effective date of this statement is for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing both practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

Note 1 – Summary of Significant Accounting Policies (continued)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences – by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The effective date of this statement is for fiscal years beginning after December 15, 2023.

The impact of these pronouncements on UMMC's financial statements is currently being evaluated and has not yet been fully determined.

(g) Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates also include the determination of allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements, included as other current assets and as other current liabilities, relating to the Medical Center's patient services. In addition, laws and regulations governing the Mississippi Division of Medicare (Medicare) and Mississippi Division of Medicaid (Medicaid) programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs could change by a material amount in the near term.

Included in other noncurrent liabilities are unpaid claim liabilities relating to the University of Mississippi Medical Center Tort Claims Fund (Medical Center Tort Claims Fund), the tort claim fund the Medical Center participates in. The liabilities for these unpaid claims are determined using both evaluations of each claim and statistical analyses and represent the estimated ultimate net cost of all claims and expenses incurred through the end of the reporting period. The determinations of claims payable include estimates that are particularly susceptible to change in the near term. Medical Center management believes that liabilities established for these unpaid claims at June 30, 2022, is adequate to cover the ultimate net cost of claims, but these liabilities are necessarily based upon estimates and, accordingly, the amount ultimately paid will be more or less than such estimates. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in operations currently.

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

(h) Cash Equivalents – The Medical Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

Note 1 – Summary of Significant Accounting Policies (continued)

(j) Accounts Receivable, Net – Accounts receivable consist of patient fees and tuition and fee charges to students. Accounts receivable also include amounts due from federal and state governments, and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the Medical Center's grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.

(k) Student Notes Receivable, Net – Student notes receivable consist of federal, state, and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net position as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net position.

(l) Inventories – Inventories consist of various hospital inventories, dental school gold, central supply inventories, auxiliary inventories, printing, and storeroom inventories. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out basis or the average cost basis.

(m) Prepaid Expenses – Recorded items consist of expenditures that are related to projects, programs, activities, or revenues of future fiscal periods.

(n) Restricted Cash and Cash Equivalents, and Restricted Short-term Investments – Cash and cash equivalents, and short-term investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net position.

(o) Endowment Investments – Endowment investments are generally subject to the restrictions of donor gift instruments. They include donor restricted endowments, which are funds received from a donor with the restrictions that only the income is to be utilized or for which the donor has stipulated that the principal may be expended only after a stated period or upon occurrence of a certain event, and funds functioning as endowments, which are funds established by the governing board to function like an endowment fund but may be fully expended at any time at the discretion of the governing board.

(p) Investments – Substantially all investments are reported at fair value. Unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments in partnerships for which there are no quoted market prices are valued at net asset value.

(q) Capital Assets – Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. For movable property, the Medical Center's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. The Medical Center uses the composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

Note 1 – Summary of Significant Accounting Policies (continued)

The Medical Center is subject to federal cost reporting requirements, and uses capitalization and depreciation policies of the Centers for Medicare and Medicaid Services (CMS) to ensure compliance with federal regulations. These capitalization policies include recognizing one-half year of depreciation in the year of acquisition and in the final year of useful life. See note 5 for additional details concerning useful life, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose if material.

(r) Deferred Outflows of Resources and Deferred Inflows of Resources – The Medical Center has deferred outflows of resources. The deferred outflows of resources are consumption of net assets by the Medical Center that are applicable to a future reporting period and include pension, other postemployment benefits (OPEB) related deferred outflows, and the unamortized amounts for losses on the refunding of bond debt.

The Medical Center has deferred inflows of resources. The deferred inflows of resources are an acquisition of net assets by the Medical Center that are applicable to a future reporting period and include pension, OPEB related deferred inflows, and beneficial interests in irrevocable trusts.

(s) Net Pension and OPEB Liabilities – For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, as well as, OPEB and OPEB expense, respectively. Information about the fiduciary net position of the Medical Center's proportionate share of the liability for pension and OPEB, and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS) and the State and School Employees' Life and Health Insurance Plan (OPEB Plan). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(t) Accounts Payable and Accrued Liabilities – Recorded items consist of amounts owed to vendors, contractors, or accrued amounts such as interest, wages, and salaries.

(u) Compensated Absences/Accrued Leave – Twelve-month employees earn and accrue annual personal leave at a rate of 12 hours per month for 0-3 years of service; 14 hours per month for 3-8 years of service; 16 hours per month for 8-15 years of service; and 18 hours per month for 15+ years of service. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, employees are paid for up to 240 hours of accumulated annual leave.

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

(w) Noncurrent Liabilities – Noncurrent liabilities include: (1) principal amounts of revenue bonds payable and notes payable; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) estimated amounts of proportionate share of net pension and OPEB liabilities; and (4) other liabilities, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Note 1 – Summary of Significant Accounting Policies (continued)

(x) Income Taxes – As a state institution of higher learning, the income of the Medical Center is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code; however, income generated from activities unrelated to the Medical Center's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

(y) Classification of Revenues and Expenditures – The Medical Center has classified its revenues and expenditures as either operating or nonoperating according to the following criteria:

Operating revenues and expenses – Operating revenues and expenses have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) most federal, state, and local grants and contracts; (4) patient care services; and (5) interest on institutional student loans. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, commodities (supplies), and contractual services; (4) professional fees; and (5) depreciation expense related to certain capital assets.

Nonoperating revenues and expenses – Nonoperating revenues and expenses have the characteristics of nonexchange transactions. Examples of nonoperating revenues include state appropriations, gifts, investment income, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

(z) Auxiliary Enterprise Activities – Auxiliary enterprises typically exist to furnish goods or services to students, faculty, or staff, and that charge a fee directly related to, although not necessarily equal to the cost of the goods or services. One distinguishing characteristic of auxiliary enterprises is they are managed as essentially self-supporting activities. Auxiliary enterprises include bookstore, student union, and vending operations. The general public may be served incidentally by auxiliary enterprises.

(aa) Patient Care Revenues – The Medical Center's hospital and clinical service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered; including, contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payors, less an allowance for doubtful accounts. Retroactive adjustments are accrued in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare and Medicaid intermediaries.

Revenue from the Medicare and Medicaid programs accounted for approximately 29.9% and 25.8%, respectively, of the Medical Center's net patient service revenues for the year ended June 30, 2022.

Note 1 – Summary of Significant Accounting Policies (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Medical Center also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(bb) Hospital Reimbursement – The UMMC Health System (UMMC Health System) Medicare cost reports have been audited and settled by the fiscal intermediary through the cost reports filed for the year ended June 30, 2018, for the Jackson Campus, for the year ended June 30, 2020, for Holmes County Hospital, and for the year ended June 30, 2018, for UMMC Grenada.

Each year, UMMC receives payments from Medicare and Medicaid, prospectively based on actual results from prior years. These payments are subsequently reconciled to current year actual results and audited by Centers for Medicare and Medicaid Services once the current year is completed, occasionally resulting in repayments due. Additional repayments may result due to rate recalculations, cost report filings, Medicaid Disproportionate Share audits, and other adjustments to prior fiscal years. At June 30, 2022, UMMC maintains a reserve of approximately $35.5 million for these potential liabilities.

Effective in fiscal year 2020, the Division of Medicaid went live with a risk adjustment model for a portion of the hospital access payments under the Mississippi Hospital Access Payments (MHAP) program. The State's responsibility under this program is to transition the MHAP to a quality-based program completely over the coming years. This new at risk portion of MHAP, or QIPP (Quality Incentive Payment Program), puts 10% of a hospitals' MHAP payments at risk. The QIPP's current goal is to improve quality of care through the reduction of preventable hospital readmissions. These readmissions are measured quarterly against a predetermined standard by Medicaid. UMMC Health System continues to meet the standard requirement. There are no current reserves for the potential impact of underperformance; however, future performance may determine a need.

(cc) Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loan funds provided to students as awarded by third parties and Federal Direct Loan Program, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

All other aid is reflected in the financial statements as scholarship allowances, which reduce operating revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Note 1 – Summary of Significant Accounting Policies (continued)

(dd) Net Position – Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in a statement of net position and is displayed in three components – net investment in capital assets, restricted (classified by major categories of restrictions), and unrestricted.

Net Investment in Capital Assets reflect the Medical Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets; such debt is excluded from the calculation of net investment in capital assets.

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

Restricted, expendable net position includes resources that the Medical Center is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, net patient service revenue, and sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position may be designated for specific purposes by action of management or the Board, they are available for use at the discretion of the governing board to meet current expenses for any purpose. Substantially all unrestricted net position is designated for academic and research programs and initiatives, and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Medical Center addresses each situation of a case-by-case basis prior to determining the resources to be used to satisfy the obligation.

Note 2 – Cash and Investments

Policies

Cash, Cash Equivalents, and Short-term Investments – Investment policies as set forth by the IHL Board policy and Mississippi State statute (MS Code §) authorize the Medical Center to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

Collateral for public entities' deposits in qualified public depository financial institutions is held in the name of the State Treasurer as established by the Mississippi State Legislature and governed by MS Code § 27-105-5 (2013). Under this Public Funds Collateralization Program, the Medical Center's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Note 2 – Cash and Investments (continued)

Investments – Investment policies at the Medical Center are governed by MS Code § 27-105-33 (2013) and the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State in 2012. Under UPMIFA, the Medical Center may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes and duration for which the particular endowment fund was established, subject to evaluation of several specific factors including general economic conditions and the fund's purpose. The Medical Center has adopted investment and spending policies for endowments as recommended by the University's Joint Committee on Investments. Substantially all investments are reported at fair value.

A summary of cash and investments as of June 30, 2022 is as follows:

Investment Type	2022
Cash	81,368,555
Collateralized Mortgage Obligations	3,377,492
Commercial Mortgage Backed Securities	1,283,839
Equity Long/Short Hedge Funds	52,927,648
Fixed Income Mutual Funds	5,050,480
Miscellaneous	23,201,722
Municipal Bonds	2,939,810
Private Capital	33,101,992
Restricted Cash and Cash Equivalents	104,870,629
U.S. Government Agency Securities	68,310,921
U.S. Treasury Securities	390,434,630
Total	$766,867,718

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the entity's name. The Medical Center had no investments exposed to custodial credit risk for the period ended June 30, 2022.

Note 2 – Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. As of June 30, 2022, the Medical Center had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Collateralized Mortgage Obligations	$ 3,377,492	$ 73,973	$ 192,181	$ -	$ 3,111,338
Mortgage Backed Securities	1,283,839	90,225	-	631,373	562,241
Municipal Obligations	2,939,810	1,001,690	923,860	1,014,260	-
Mutual Funds - Fixed Income	5,050,480	4,873,707	176,773	-	-
U.S. Government Agency Obligations	68,310,921	10,393,095	46,486,362	11,431,464	-
U.S. Treasury Obligations	390,434,630	307,767,544	82,667,086	-	-
Total	$ 471,397,172	$ 324,200,234	$ 130,446,262	$ 13,077,097	$ 3,673,579

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2022, the Medical Center had the following investments in credit risk:

Investment Type	Fair Value	Credit Risk Ratings		
		Aa2	Aaa	Rating N/A
Collateralized Mortgage Obligations	$ 3,377,492	$ -	$ 266,154	$ 3,111,338
Mortgage Backed Securities	1,283,839	-	-	1,283,839
Municipal Obligations	2,939,810	2,939,810	-	-
Mutual Funds - Fixed Income	5,050,480	-	247	5,050,233
U.S. Government Agency Obligations	68,310,921	-	40,304,521	28,006,400
Total	$ 80,962,542	$ 2,939,810	$ 40,570,922	$ 37,451,810

The credit risk ratings listed above are issued upon standards set by Moody's Investor Services or Standard and Poor's.

Note 2 – Cash and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB Statement No. 40) as the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2022, the Medical Center had the following issuers holding investments that exceeded 5% of total investments:

Issuer	Fair value	Percentage
United States Treasury Obligations	$ 390,434,630	67.24%

Foreign Currency Risk

Foreign currency risk, as defined by GASB Statement No. 40, is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Medical Center investment policy requires diversification with respect to currency and country exposure. Exposure to foreign currency risk, as of June 30, 2022, is limited to a bank balance of $5,704,723, maintained within international equity mutual funds.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques.

The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories—Level 1, Level 2, and Level 3 inputs—considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows.

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

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

Note 2 – Cash and Investments (continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. There are no investments classified in Level 3.

The following tables present the financial assets carried at fair value by level within the valuation hierarchy, as well as the assets measured at the net asset value (NAV) per share as a practical expedient as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investment Strategy:				
Fixed Income:				
U.S. Treasury Securities	$390,434,630	$ -	$ -	$390,434,630
Fixed Income Mutual Funds	5,050,480	-	-	5,050,480
U.S. Government Agency Securities	-	68,310,921	-	68,310,921
Mortgage Obligations and Asset Backed Securities	-	4,661,331	-	4,661,331
Municipal Bonds	-	2,939,810	-	2,939,810
Total Fixed Income	$395,485,110	$ 75,912,062	$ -	$471,397,172

Investments measured at NAV as a practical expedient:	
Equity Long/Short Hedge Funds	$ 52,927,649
Venture Capital	33,101,992
Other Miscellanous Investments	23,201,721
Total Investments Measured at NAV	$109,231,362
Total Investments at Fair Value and NAV	$580,628,534

The valuation method for investments measured at NAV per share as a practical expedient at June 30, 2022, is present on the following table:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period
Equity Long/Short Hedge Funds	$ 52,927,649	$ -	Quarterly	75 days
Private Capital	33,101,992	9,204,975	Quarterly	75 days
Other Miscellanous Investments	23,201,721	-	-	-
Total Investments Measured at NAV	$ 109,231,362			

Note 3 – Accounts Receivable

Accounts receivable consisted of the following:

	June 30, 2022	Current Portion	Noncurrent Portion
Student Tuition	$ 13,480,016	$ 13,480,016	$ -
Auxiliary Enterprises and other Operating Activitie	123,726	123,726	-
Federal, State, and Private Grants and Contracts	27,231,153	27,231,153	-
State Appropriations	574,007	574,007	-
Accrued Interest	658,277	658,277	-
Patient Income	656,581,483	656,581,483	-
Accrued Lease Receivable	2,974,323	652,315	2,322,008
Other	7,290,201	5,326,940	1,963,261
Total Accounts Receivable	708,913,186	704,627,917	4,285,269
Less Allowance for Doubtful Accounts	(557,481,120)	(557,481,120)	-
Accounts Receivable, Net	$ 151,432,066	$ 147,146,797	$ 4,285,269

Note 4 – Notes Receivable from Students

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the Medical Center. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held at June 30, 2022:

	Interest Rates	2022	Current Portion	Noncurrent Portion
Perkins Student Loans	3% to 9%	$ 2,704,081	$ 189,222	$ 2,514,859
Institutional Loans	0% to 10%	3,216,449	649,469	2,566,980
Nursing Student Loans	3% to 9%	829,823	324,253	505,570
Dental Student Loans	3% to 9%	288,420	137,545	150,875
Medical Student Loans	3% to 9%	335,512	22,980	312,532
Total Notes Receivable		7,374,285	1,323,469	6,050,816
Less Allowance for Doubtful Accounts		(2,958,736)	(180,317)	(2,778,419)
Notes Receivable, Net		$ 4,415,549	$ 1,143,152	$ 3,272,397

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2022, is presented as follows:

	06/30/2021	Additions	Deletions / Transfers	06/30/2022
Nondepreciable Capital Assets:				
Land	$ 6,238,077	$ -	$ -	$ 6,238,077
Construction in Progress	14,012,295	7,321,050	13,968,560	7,364,785
Total Nondepreciable Capital Assets	$ 20,250,372	$ 7,321,050	$ 13,968,560	$ 13,602,862
Depreciable/Amortizable Capital Assets:				
Buildings	$ 884,621,069	$ 12,993,004	$ -	$ 897,614,073
Improvements other than Buildings	29,113,742	57,789	-	29,171,531
Equipment	477,309,084	17,752,782	12,448,388	482,613,478
Library Books	74,413,828	6,059,307	-	80,473,135
Leased Land	-	1,437,322	-	1,437,322
Leased Buildings	-	65,636,089	-	65,636,089
Leased Equipment	-	36,620,119	-	36,620,119
Total Depreciable/Amortizable Capital Assets	$ 1,465,457,723	$ 140,556,412	$ 12,448,388	$ 1,593,565,747
Total Capital Assets	$ 1,485,708,095	$ 147,877,462	$ 26,416,948	$ 1,607,168,609
Less Accumulated Depreciation for:				
Buildings	$ 221,875,924	$ 16,403,539	$ -	$ 238,279,463
Improvements other than Buildings	11,304,393	926,395	-	12,230,788
Equipment	342,673,861	31,362,856	11,923,433	362,113,284
Library Books	57,128,489	3,538,660	-	60,667,149
Less Accumulated Amortization for:				
Leased Assets	-	14,416,819	-	14,416,819
Total Accumulated Depreciation and Amortization	$ 632,982,667	$ 66,648,269	$ 11,923,433	$ 687,707,503
Capital Assets, Net	$ 852,725,428	$ 81,229,193	$ 14,493,515	$ 919,461,106

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

	Estimated Useful Life	Salvage Value	Capitalization Threshold
Buildings & Fixed Equipment	7-40 years	0%	$ 50,000
Improvements Other than Buildings	20 years	0%	25,000
Equipment	3-25 years	0%	5,000
Software & Implementation Costs	3-10 years	0%	50,000
Library Books	10 years	0%	-

Note 6 – Deferred Outflows of Resources and Deferred Inflows of Resources

The classifications of deferred outflows of resources and deferred inflows of resources as of June 30, 2022, are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Related (note 13)	$ 190,116,171	$ 354,355,092
OPEB Related (note 14)	11,325,790	18,707,107
Unamortized Loss/Gain on Refunding of Debt	12,589,920	-
Lease Related (note 11)	-	2,961,400
Beneficial Interest in Irrevocable Trusts	-	38,316,824
Totals	214,031,881	414,340,423

Note 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2022, is as follows:

Payable to Vendors and Contractors	$ 86,638,501
Accrued Salaries, Wages and Employee Withholdings	68,245,133
Accrued Interest	1,212,144
Total	$ 156,095,778

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

Note 8 – Unearned Revenues

Unearned revenues as of June 30, 2022, are as follows:

Tuition and Fees	$ 9,049,530
Contracts and Grants	17,513,834
Other Activities	12,750
Total	$ 26,576,114

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

Note 9 – Long-term Liabilities

Long-term liabilities of the Medical Center consist of notes and bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2022. Other long-term liabilities and notes payable consist of accrued leave liabilities, net pension liability, net OPEB liability, Federal portion of Federal student loans and tort claims. Information regarding original issue amounts, interest rates and maturity dates for bonds and notes at June 30, 2022, is listed in the following schedules.

	Original Issue	Annual Interest Rate	Maturity	6/30/2021	Additions	Deletions	6/30/2022	Due Within One Year
Bonded Debt								
Series 1998B	$ 41,075,000	3.88% to 5.90%	2024	$ 11,240,000	$ -	$ 3,550,000	$ 7,690,000	$ 3,745,000
Series 2017A	137,635,000	3.00% to 5.00%	2047	137,390,000	-	-	137,390,000	-
Series 2017B	12,345,000	2.45% to 3.10%	2024	6,755,000	-	2,905,000	3,850,000	2,990,000
Series 2019	24,380,000	5.00%	2035	23,045,000	-	515,000	22,530,000	525,000
Series 2020B	158,125,000	0.44% to 2.92%	2041	154,780,000	-	1,735,000	153,045,000	1,745,000
Unamortized Premium				16,037,652	-	1,459,717	14,577,935	1,474,739
Total Bonded Debt				349,247,652	-	10,164,717	339,082,935	10,479,739
Notes Payable								
University of Mississippi		2.00%	2026	13,110,888	-	2,819,861	10,291,027	3,095,998
University of Mississippi		0.93%	2026	3,748,012	-	723,518	3,024,494	746,278
Total Notes Payable				16,858,900	-	3,543,379	13,315,521	3,842,276
Other Long-term Liabilities								
Accrued Leave Liabilities				73,476,999	-	5,090,684	68,386,315	6,474,712
Net Pension Liability				1,498,101,899	-	389,135,156	1,108,966,743	-
Net OPEB liability				60,353,305	-	12,363,005	47,990,300	-
Lease Liability *				-	104,334,070	13,451,108	90,882,962	14,027,338
Federal Loan Fund Repayment Contingency				2,633,043	-	583,537	2,049,506	-
Financed Assets - Various Equipment		Various	2025	5,945,000	-	1,510,866	4,434,134	1,451,158
Reserve for Unpaid Claims				31,350,000	-	-	31,350,000	4,195,000
Total Other Long-term Liabilities				1,671,860,246	104,334,070	422,134,356	1,354,059,960	26,148,208
Total Long-term Liabilities				$ 2,037,966,798	$ 104,334,070	$ 435,842,452	$ 1,706,458,416	$ 40,470,223
Due within One Year							(40,470,223)	
Total Noncurrent Long-term Liabilities							$ 1,665,988,193	

* Lease liability is recorded at the beginning of fiscal year 2022 in accordance with GASB Statement No. 87

Note 9 – Long-term Liabilities (continued)

Revenue Bonds Payable

The Corporation issued $60,000,000 of revenue bonds, series 1993, dated December 15, 1993. The purpose of these revenue bonds was for the construction and equipping of a student union facility and various hospital facilities to be located on the campus of the Medical Center.

On April 1, 1998, $40,455,000 of the series 1993 bonds was advanced refunded through the issuance of the series 1998B revenue refunding bonds. As part of the 2009 refunding issue, a portion of the 1998B bonds were refunded and the debt service schedule of the remaining balance of $23,670,000 was revised. The remaining bonds bear an interest rate of 5.50% with semi-annual interest payments due on June 1 and December 1, beginning June 2010. Principal matures from December 1, 2017 through December 1, 2023.

On December 28, 2017, the Corporation issued $137,635,000 and $12,345,000 of Series 2017A revenue (tax-exempt) and Series 2017B refunding (taxable) bonds, respectively. The purpose of these bonds is to finance capital expenditures related to the expansion of Batson Children's Hospital and to refund a significant portion of Series 2009 revenue bonds, issued in the original principal amount of $105,605,000. The refunding of Series 2009 bonds will result in an economic gain of approximately $5,674,656.

The series 2017A revenue bonds bear interest rates ranging from 3.0% to 5.0% with interest due June 1 and December 1 of each year beginning June 2018, and included a premium of $13,558,908. Principal matures beginning June 1, 2018, with termination payments of $73,030,000 due June 2047. Repayment of the revenue bonds is secured by a pledge of rental payments pursuant to a lease agreement between the Corporation and the Medical Center.

The Series 2017B refunding bonds bear interest rates ranging from 2.45% to 3.10% with interest due June 1 and December 1 of each year beginning June 2018.

Principal matures beginning June 1, 2020 through June 1, 2024. Repayment of the bonds is secured by a pledge of rental payments pursuant to a lease agreement between the Corporation and the Medical Center.

On September 11, 2019, the Corporation issued $24,380,000 of Series 2019 bonds. The purpose of these bonds is to finance capital expenditures and to refund the Series 2010A bonds, issued in the original principal amount of $24,870,000. The refunding of Series 2010A bonds will result in an economic gain of approximately $3,926,939.

The Series 2019 revenue refunding bonds bear an interest rate of 5.00% with interest due June 1 and December 1 of each year beginning December 2019. Principal matures beginning June 1, 2020 through June 1, 2035. Repayment of the bonds is secured by a pledge of rental payments pursuant to a lease agreement between the Corporation and the Medical Center.

On October 29, 2020, the Corporation issued $158,125,000 of Series 2020B revenue bonds. The purpose of these bonds is to finance capital expenditures and to refund the Series 2010B bonds, Series 2012A bonds, and Series 2012B bonds issued in the original principal amount of $125,250,000. The refunding of Series 2010B, Series 2012A, and Series 2012B bonds will result in an economic gain of approximately $20,592,694.

Note 9 – Long-term Liabilities (continued)

The Series 2020B revenue refunding bonds bear interest an interest rate of 0.445% to 2.917% with interest due June 1 and December 1 of each year beginning December 2020. Principal matures beginning June 1, 2020 through June 1, 2041. Repayment of the bonds is secured by a pledge of rental payments pursuant to a lease agreement between the Corporation and the Medical Center.

In November 2017, the Medical Center entered into an agreement with University of Mississippi (UM) to provide up to $40 million of intermediate debt to fund project construction for the Children's of Mississippi expansion. In later years, the agreement was amended to also include project funding for campus heating, ventilation and air conditioning (HVAC) upgrades and Interventional Radiology renovations.

The UM note payable bears an interest rate of 0.93% to 2.00% with interest due quarterly beginning July 2021. Principal matures July 2021 through April 2026.

Scheduled maturities of bonded debt and note payable at June 30, 2022, is as follows:

Fiscal Year Ended:	Bonded Debt	Lease Liability	Notes Payable	Interest	Total
2023	$ 10,479,739	$ 14,027,338	$ 5,293,434	$ 13,905,843	43,706,354
2024	10,810,144	12,944,849	5,389,615	13,169,047	42,313,655
2025	10,270,543	10,822,432	5,487,622	12,504,127	39,084,724
2026	10,511,308	9,139,146	1,578,984	11,856,962	33,086,400
2027	10,751,067	7,826,165	-	11,286,826	29,864,058
2028-2032	58,246,067	31,518,541	-	47,894,740	137,659,348
2033-2037	72,815,235	4,604,491	-	35,762,959	113,182,685
2038-2042	81,189,458	-	-	24,530,625	105,720,083
2043-2047	74,009,374	-	-	10,149,050	84,158,424
Totals	$ 339,082,935	$ 90,882,962	$ 17,749,655	$ 181,060,179	$ 628,775,731

Note 10 – Natural Classifications with Functional Classifications

The Medical Center's operating expenses by functional classification were as follows for the year ended June 30, 2022:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation and Amortization	Other	Total
Instruction	$ 99,338,776	$ 19,120,954	$ 652,396	$ 8,303,572	$ 553	$ -	$ 3,406,186	$ -	$ -	$ 130,822,437
Hospital Instruction	33,524,392	9,126,424	-	4,656,038	-	-	9,633	-	-	47,316,487
Total Instruction	132,863,168	28,247,378	652,396	12,959,610	553	-	3,415,819	-	-	178,138,924
Research	32,288,154	7,919,388	198,362	8,472,243	4,985	-	8,764,501	-	-	57,647,633
Public Service	10,323,812	2,650,512	55,510	4,942,203	5,737	-	1,000,665	-	-	18,978,439
Academic Support	9,364,999	1,954,580	59,619	1,541,656	-	-	-	-	-	12,920,854
Student Services	1,046,198	252,339	13,286	106,700	117	-	86,543	-	-	1,505,183
Institutional Support	51,311,109	18,651,944	91,677	16,019,885	-	-	8,007,365	-	-	94,081,980
Operation of Plant	5,922,790	1,586,891	213	14,539,943	15,349,879	-	1,429,031	-	-	38,828,747
Student Aid	-	-	-	-	-	8,825,765	-	-	-	8,825,765
Auxiliary Enterprises	665,097	171,678	-	316,437	-	-	538,875	-	-	1,692,087
Depreciation and Amortization	-	-	-	-	-	-	-	66,648,269	-	66,648,269
Hospital	537,747,489	120,593,887	368,190	178,357,834	1,122,342	-	337,629,753	-	-	1,175,819,495
Loan Fund	-	-	-	-	-	-	-	-	99,489	99,489
Total Operating Expenses	$ 781,532,816	$ 182,028,597	$ 1,439,253	$ 237,256,511	$ 16,483,613	$ 8,825,765	$ 360,872,552	$ 66,648,269	$ 99,489	$ 1,655,186,865

Note 11 – Leases

(a) Lessee

The Medical Center leases equipment and land, as well as, certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2034 and provide for renewal options ranging from 1 to 10 years.

Certain land leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Some leases require variable payments based on usage of the underlying asset and are not included in the measurement of the lease liability. These variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2022, the Medical Center made no variable payments.

Total future minimum lease payments under lease agreements are as follows:

Year Ending June 30		Principal	Interest	Total
2023	$	14,027,338	1,899,050	15,926,388
2024		12,944,849	1,597,621	14,542,470
2025		10,822,432	1,318,861	12,141,293
2026		9,139,146	1,097,815	10,236,961
2027		7,826,165	905,177	8,731,342
2028 - 2032		31,518,541	2,162,198	33,680,739
2033 - 2034		4,604,491	112,499	4,716,990
Total minimum lease payments	$	90,882,962	9,093,221	99,976,183

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

Land	$	1,437,322
Buildings		65,636,089
Equipment, vehicles, other		36,620,119
Less: accumulated amortization		(14,416,819)
	$	89,276,711

Note 11 – Leases (continued)

(b) Lessor

The Medical Center, acting as lessor, leases buildings, land, and other various equipment under long-term, non-cancelable lease agreements. The leases expire at various dates beyond 2052 and provide renewal options ranging from 5 years to 10 years. During the year ended June 30, 2022, the Medical Center recognized $417,156 and $57,159 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain land and building leases provide for increases in future minimum annual rental payments based on the defined increases in the Consumer Pricing Index, subject to certain minimum increases.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received. During the year ended June 30, 2022, the Medical Center received no variable payments.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending June 30,		Principal	Interest	Total
2023	$	652,315	60,313	712,628
2024		337,881	48,067	385,948
2025		189,724	42,483	232,207
2026		49,914	39,946	89,860
2027		48,596	38,823	87,419
2028 - 2032		241,671	178,329	420,000
2033 - 2037		270,486	149,514	420,000
2038 - 2042		302,611	117,389	420,000
2043 - 2047		338,552	81,448	420,000
2048 - 2052		378,751	41,249	420,000
Thereafter		163,822	4,178	168,000
Total minimum lease payments	$	2,974,323	801,739	3,776,062

Note 12 – Construction Commitments and Financing

The Medical Center has contracted for various construction projects as of June 30, 2022. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	Remaining Estimated Costs to Complete	Source of Funding: Federal Sources	Funded by State Sources	Institutional Funds	Other
New Domestic Water Well	$ 35,000	$ -	$ -	$ 35,000	$ -
ASCC Renovation JMM	270,522	-	-	270,522	-
Batson OR Backfill Renovations	1,296,932	-	-	1,296,932	-
Campus HVAC Upgrades	3,250,957	-	-	3,250,957	-
Campus Security Upgrades Phase II	50,204	-	-	50,204	-
C-Arm Replacement OR14	596,932	-	-	596,932	-
Children's Cancer Clinic Renovation	1,915,041	-	-	1,915,041	-
Emergency Phone Elevator Upgrades	53,279	-	-	53,279	-
Greenwood Leflore Hangar	818,997	818,997	-	-	-
Grenada Roof Replacement	765,848	-	-	765,848	-
Gross Anatomy Phase III Renovations	1,667,459	-	-	1,667,459	-
JMM Pharmacy Compliance	52,519	-	-	52,519	-
JOC- General R&R	50,369	-	50,369	-	-
Lakeland Medical Building Well Water	245,437	-	-	245,437	-
Main Lab Replacement	55,245	-	-	55,245	-
MCES Storage Building	477,416	-	-	477,416	-
Microbiology Renovations	491,387	-	-	491,387	-
MS Center for Fragile Children	13,922,578	-	13,922,578	-	-
Neurosurgery Renovation	478,443	-	-	478,443	-
New Boiler Room	3,533,691	-	3,533,691	-	-
Renovate Waiting Room & Exam Rooms	252,174	-	-	252,174	-
Research AHU Replacement	2,073,321	-	2,073,321	-	-
Siemens CT Scanner	1,691,786	-	-	1,691,786	-
Total	$ 34,045,537	$ 818,997	$ 19,579,959	$ 13,646,581	$ -

Note 13 – Pension and Other Employee Benefit Plans

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

Plan Type	Plan Name
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined contribution	Optional Retirement Plan (ORP) Defined Contribution Plan

Note 13 – Pension Plan (continued)

The employees of the Medical Center are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2021, for fiscal year 2022.

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

Information included within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC. A stand-alone audited financial report is issued for the Plans and is available at www.pers.ms.gov.

Disclosures under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB Statement No. 68) – The pension disclosures that follow for fiscal year 2022 include all disclosures for GASB Statement No. 68 using the latest valuation report available (June 30, 2020). For fiscal year 2022, the measurement date for the PERS defined benefit plan is June 30, 2021. The Medical Center is presenting net pension liability as of June 30, 2021, for the fiscal year 2022 financials.

(a) PERS Defined Benefit Plan

Plan Description – The PERS of Mississippi was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, multiple-employer defined benefit pension plan. PERS is administered by a 10-member Board of Trustees that includes the State Treasurer; one gubernatorial appointee who is a member of PERS; two state employees; two PERS retirees; and one representative each from public schools and community colleges, state universities, municipalities and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

Membership and Benefits Provided – Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

Note 13 – Pension Plan (continued)

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Contributions – Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2022, was 17.40% for each year of annual payroll. Contributions from the Medical Center are recognized when legally due based on statutory requirements.

Employer Contributions – The Medical Center's contributions to PERS for the year ended June 30, 2022, were $88 million. The Medical Center's proportionate share is calculated on the basis of historical contributions. Employer allocation percentages are based on the ratio of each employer's actual contribution to the Plan's total actual contributions.

Note 13 – Pension Plan (continued)

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

	Proportionate Share of Contributions	Allocation Percentage of Proportionate Share of Collective Pension Amount	Change in Proportionate Share of Collective Pension Amount
PERS Defined Benefit 2022:	$ 86,803,221	7.50%	-0.24%

Net Pension Liability – The Medical Center's proportion of the net pension liability at June 30, 2022, is as follows:

	Proportionate Share of Net Pension Liability	Proportion of Net Pension Liability
PERS Defined Benefit 2022:	$ 1,108,966,743	7.50%

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members.

For the year ended June 30, 2022, the remaining service life was 3.88 years. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources. The deferred outflow of resources reported by an employer should include contributions made by the employer during its fiscal year that will be reflected in the net pension liability in the next measurement period.

The Medical Center's proportionate share of the collective pension expense for the year ended June 30, 2022, is equal to the collective pension expense multiplied by the employer's allocation percentage, or $55.5 million. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows; if they will increase pension expense, they are labeled deferred outflows.

Note 13 – Pension Plan (continued)

The table below provides a summary of the deferred outflows and inflows of resources related to pensions in the year ended June 30, 2022:

Deferred Outflows				
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources
$ 17,732,364	85,334,419	—	87,049,388	190,116,171

Deferred Inflows		
Changes in proportion and differences between employer contributions and proportionate share of contributions	Net difference between projected and actual investment earnings on pension plan investment	Total deferred inflows of resources
$ 20,381,624	333,973,468	354,355,092

Contributions subsequent to the measurement date of $87.0 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Deferred Outflows of Resources, Year Ended June 30			
2023	2024	2025	Total
$ 40,026,350	34,953,454	28,086,979	$ 103,066,783

Deferred Inflows of Resources, Year Ended June 30				
2023	2024	2025	2026	Total
$ 79,601,592	85,159,861	90,071,355	99,522,284	$ 354,355,092

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future.

Note 13 – Pension Plan (continued)

Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2020.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the year ended June 30, 2022:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation Rate	2.40 %
Salary Increases	2.65
Investment Rate of Return	7.55

Mortality – Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset class	**Target allocation**	**Long-term expected real rate of return**
Domestic Equity	27.00 %	4.60 %
International equity	22.00	4.50
Debt Securities	20.00	(0.25)
Global Equity	12.00	4.80
Real assets	10.00	3.75
Private equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
	100.00 %	

Note 13 – Pension Plan (continued)

Discount Rate – For the year ended June 30, 2022, the discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%) for the year ended June 30, 2022. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The following table presents the Medical Center's proportionate share of the net pension liability of the cost-sharing plan for 2022, calculated using the discount rate of 7.55%, as well as what the Medical Center's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
$ 1,570,556,901	1,108,966,743	728,579,738

(b) PERS Defined Contribution Plan, the Optional Retirement Plan – The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning teaching and administrative faculty in Mississippi. This alternative plan is structured to be portable and transferable to accommodate teaching and administrative faculty who move from one state to another throughout their careers.

The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees, and in the event of death, the ORP provides funds for their beneficiaries through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the Medical Center are identical to that of the PERS defined benefit plan. An employee is automatically a member of PERS unless the employee elects ORP within 30 days of initial employment in an ORP-eligible position. Once made, the decision is irrevocable. The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The Medical Center's contributions to the ORP for the year ended June 30, 2022 were $26.3 million, which equaled its required contribution for the period.

Note 14 – Postemployment Health Care and Life Insurance Benefits

Plan Description – In addition to providing pension benefits, the Medical Center provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees' Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The 14-member board is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees' Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his or her designee; the Chairman of the House of Representatives Insurance Committee, or his or her designee; the Chairman of the Senate Appropriations Committee, or his or her designee; and the Chairman of the House of Representatives' Appropriations Committee, or his or her designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

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

Contributions – Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his or her state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium.

If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

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

Note 14 – Postemployment Health Care and Life Insurance Benefits (continued)

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

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

The audited financial report for the Plan can be found at knowyourbenefits.dfa.ms.gov. At June 30, 2021, the Plan provided health coverage to 321 employer units.

Disclosures under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75) – The disclosures that follow for fiscal year 2022 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2021). For fiscal year 2022, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2021. The Medical Center is presenting net OPEB liability as of June 30, 2021 for the fiscal year 2022 financials.

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

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

At June 30, 2022, the Medical Center reported a liability of $48.0 million for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2022, the NOL was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2022, the Medical Center's proportion was 7.46%.

For the year ended June 30, 2022, the Medical Center recognized OPEB expense of ($2,764,084).

Note 14 – Postemployment Health Care and Life Insurance Benefits (continued)

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

Deferred Outflows						
	Differences between expected and actual experience	Net difference between projected and actual earnings on OPEB Plan investments	Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources
$	52,187	2,229	7,772,377	2,062,638	1,436,359	11,325,790

Deferred Inflows				
	Changes of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
$	1,623,086	15,005,947	2,078,074	18,707,107

Deferred outflows of resources of $1.4 million are reported as related to OPEB resulting from the Medical Center's implicit rate subsidy will be recognized as a reduction of the NOL in the year ending June 30, 2023.

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2021 measurement period was 5.9 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

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

Deferred Outflows (Inflows) of Resources, Year Ended June 30

2023	2024	2025	2026	2027	Total
$ (2,062,193)	(1,916,361)	(1,399,440)	(1,909,462)	(1,530,220)	(8,817,676)

Note 14 – Postemployment Health Care and Life Insurance Benefits (continued)

Actuarial Methods and Assumptions

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the year ended June 30, 2022:

Valuation date	June 30, 2021
Measurement date	June 30, 2021
Actuarial assumptions:	
Cost method	Entry age normal
Inflation rate	2.40%
Long-term expected rate of return	4.50%
Discount rate	2.13%
Projected cash flows	N/A
Projected salary increases	2.65% - 17.90%
Healthcare cost trend rates	6.50% decreasing to 4.50% by 2030

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

Mortality – Mortality rates for service retirees were based on the PubS H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77, and for females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

Discount Rate – For the year ended June 30, 2022, the discount rate used to measure the total OPEB liability was 2.13%. The discount rate is based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return – At June 30, 2022, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Note 14 – Postemployment Health Care and Life Insurance Benefits (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate – The following table presents the Medical Center's proportionate share of the NOL for 2022, calculated using the discount rate of 2.13%, as well as what the Medical Center's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Discount Rate Sensitivity		
1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
$ 53,118,413	$ 47,990,300	$ 43,617,826

Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rates

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

Health Care Cost Trend Rates Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 44,451,436	$ 47,990,300	$ 51,995,154

Note 15 – Material Component Unit of the Medical Center

In accordance with GASB Statement No. 61, MCEBC is deemed to be a material component unit of the Medical Center but is presented on a blended basis in the accompanying financial statements due to the significance of its activities to the Medical Center's operations. Condensed financial information as of June 30, 2022, is listed in the following schedule:

Current Assets	9,975,221
Noncurrent Asset	328,944,508
Total Assets	338,919,729
Deferred Outflows of Resources	12,589,920
Current Liabilities	9,975,220
Noncurrent Liabilities	330,077,935
Total Liabilities	340,053,155
Total Net Position	11,456,494
Operating Revenues	11,875,259
Operating Expenses	11,292,768
Total Operating Income (Loss)	582,491
Change in Net Position	582,491

Note 16 – Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure was $20,480,355 as of June 30, 2022. These amounts are included on the Statement of Net Position in "Net Position - Expendable for Other Purposes."

Endowments as a whole operate subject to donor intent; however, most endowments held by the Medical Center operate on the total return concept as permitted by the Uniform Prudent Management of Institutional Funds Act MS Code § 79-11-707 (2013), as enacted in 2012. The annual spending rate for these endowments is 4.35% of the three-year moving average market value.

Note 17 – University of Mississippi Medical Center Tort Claims Fund

In accordance with MS Code § 11-46-17 (2013), the Mississippi Tort Claims Board has authorized the IHL Board to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act.

Effective July 1, 1993, MS Code § 11-46-5 (2013) permitted tort claims to be filed against the IHL and its members. A maximum limit liability of $500,000 per occurrence is currently permissible.

The IHL Board has established the Medical Center Tort Claims Fund to pay claims up to the maximum liability limits described above. Losses from professional and tort liability claims of the Medical Center are the responsibility of the Medical Center Tort Claims Fund.

Total assets and liabilities related to this activity approximated $48.6 million and $31.4 million, respectively, at June 30, 2022, and is included in the statement of net position. A professionally licensed actuarial firm was contracted to perform an actuarial analysis to establish a liability for both reported and unreported insured events, which includes estimates of future payments and losses.

The following represents changes in the unpaid claims and liabilities for the Medical Center Tort Claims Fund for the year ended June 30, 2022:

Unpaid claim liability at beginning of year	$ 31,350,000
Incurred claims:	
Insured events of the current year	6,845,000
Decrease in provisions for insured events of prior years	(5,683,000)
Total incurred claims	1,162,000
Payments:	
Attributable to insured events of the current year	25,659
Attributable to insured events of the prior year	2,624,341
Total payments	2,650,000
Unpaid claim liability at end of year	$ 29,862,000

Note 17 – University of Mississippi Medical Center Tort Claims Fund (continued)

At June 30, 2022, unpaid claims of $32.8 million is presented at a net present value of $29.9 million using a discount rate of 4%.

Note 18 – Subsequent Events

As of the date the audit opinion of the IHL audited financial statements were issued, February 28, 2023, no subsequent events have been identified for the Medical Center to disclose relevant to the fiscal year ended June 30, 2022.

Required Supplementary Information
[Unaudited]

Schedule of Proportionate Share of Net Pension Liability For the Years Ended June 30

	Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Estimated Covered-Employee Payroll Provided by PERS	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	PERS Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	6.76%	$ 821,435,313	$ 413,521,568	199.00%	67.00%
2016	7.04%	1,087,561,173	439,542,508	247.43%	61.70%
2017	7.22%	1,228,831,062	461,579,562	279.22%	57.47%
2018	7.30%	1,212,970,916	468,091,930	259.13%	61.49%
2019	7.41%	1,232,363,510	473,145,740	260.46%	62.54%
2020	7.73%	1,360,163,256	503,547,517	270.12%	61.59%
2021	7.74%	1,498,101,899	515,294,356	290.73%	58.97%
2022	7.50%	1,108,966,743	498,869,086	222.30%	70.44%

Schedule of Proportionate Share of Contributions For the Years Ended June 30

	Proportionate Share of Contributions	Required Contributions	Contribution Deficiency (Excess)	Actual Covered-Employee Payroll	Contribution as a Percentage of Covered-Employee Payroll
2015	$ 68,736,092	$ 68,736,092	$ -	$ 436,419,632	15.75%
2016	71,818,771	71,818,771	-	455,992,197	15.75%
2017	72,327,391	72,327,391	-	459,221,530	15.75%
2018	73,927,567	73,927,567	-	469,381,378	15.75%
2019	78,391,851	78,391,851	-	497,726,038	15.75%
2020	88,706,272	88,706,272	-	509,806,161	17.40%
2021	85,783,197	85,783,197	-	493,006,879	17.40%
2022	87,049,388	87,049,388	-	500,283,839	17.40%

Required Supplementary Information (continued)

Schedule of Proportionate Share of Net OPEB Liability
For the Years Ended June 30

	Proportionate Share of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	7.35%	57,663,711	330,186,370	17.46%	0.00%
2019	7.34%	56,789,549	332,047,403	17.10%	0.00%
2020	7.60%	64,529,186	348,252,627	18.53%	0.00%
2021	7.76%	60,353,305	373,761,386	16.15%	0.00%
2022	7.46%	47,990,300	354,663,171	13.54%	0.00%

Schedule of Proportionate Share of Employer Contributions
For the Years Ended June 30

	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	3,209,684	2,268,893	940,791	330,186,370	0.69%
2019	3,455,606	2,529,046	926,561	332,047,403	0.76%
2020	3,529,884	2,586,518	943,366	348,252,627	0.74%
2021	3,860,649	2,406,895	1,453,754	373,761,386	0.64%
2022	4,393,194	1,929,454	2,463,740	354,663,171	0.54%

Notes to Required Supplementary Information
[Unaudited]

1. Net pension liability

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

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

(b) Schedule of Proportionate Share of Contributions to the PERS defined benefit plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

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

Changes of assumptions:

2022

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 95% of male rates up to age 60, 110% for ages 61 to 76, and 101% for ages above 77;
  - For females, 84% of the female rates up to age 72, 100% for ages above 76; and
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
  - For males, 134% of male rates at all ages;
  - For females, 121% of the female rates at all ages; and
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table for with the following adjustments:
  - For males, 97% of male rates at all ages;
  - For females, 110% of the female rates at all ages; and
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%;
- The wage inflation assumption was reduced from 3.00% to 2.65%;
- The investment rate of return assumption was changed from 7.75% to 7.55%;
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll;

Notes to Required Supplementary Information (continued)

- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely;
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%; and
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2020

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

2018

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

2017

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

Notes to Required Supplementary Information (continued)

2016

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

Change in benefit provisions:

2017

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

2. Net OPEB liability

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

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

(b) Schedule of Proportionate Share of Employer Contributions to the State and School Employees' Life and Health Insurance Plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

Notes to Required Supplementary Information (continued)

(c) Changes of Assumptions and to Benefit Terms (OPEB plan)

Changes of assumptions*:*

2022

- The SEIR was changed from 2.19.50% for the prior measurement date to 2.13% to the current measurement date.

2021

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

2020

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

2019

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

Changes to benefit terms:

2022

- The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2021

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

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