TABLE OF CONTENTS

THE UNIVERSITY OF MISSISSIPPI
MEDICAL CENTER

Office of Associate Vice Chancellor
for Financial Affairs

2500 North State Street
Jackson, Mississippi 39216-4505
Phone (601) 984-1027
Fax (601) 984-2969

September 15, 2009

Dr. Daniel W. Jones, Chancellor
The University of Mississippi

Dr. James E. Keeton
Interim, Vice Chancellor for Health Affairs
The University of Mississippi Medical Center

It is my pleasure to transmit the Financial Report of The University of Mississippi Medical Center (the Medical Center) for the year ended June 30, 2009. Included in the report are management's discussion and analysis, financial statements and accompanying notes.

Beginning with fiscal year ended June 30, 2002, the Medical Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities."

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 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 is shown on the financial statements as a blended component unit of the Medical Center in accordance with Governmental Accounting Standards Board Statement No. 39.

The financial statements presented in this report have not been audited. Audited financial statements will be available later in the current fiscal year.

J. Michael Lightsey

J. Michael Lightsey, CPA
Associate Vice Chancellor
For Financial Affairs

MANAGEMENT'S DISCUSSION AND ANALYSIS

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. The University of Mississippi Medical Center (the Medical Center) elected to adopt these new standards in fiscal year 2002.

The Medical Center presents its financial statements for fiscal year 2009, with fiscal years 2008 and 2007 presented for comparative purposes. The following 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.

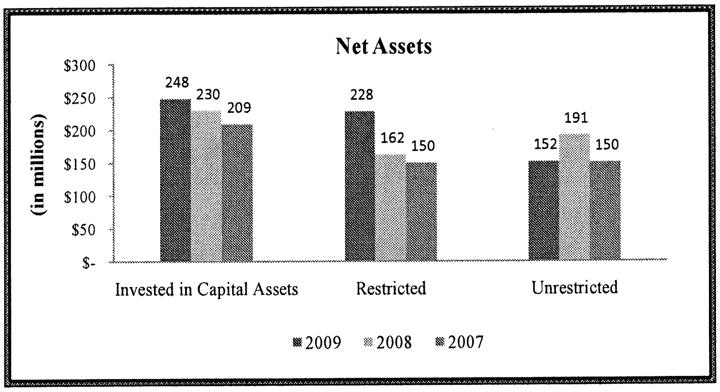
Beginning with fiscal year ending June 30, 2002, the Corporation is a blended component unit of the Medical Center in accordance with Governmental Accounting Standards Board Statement Number 39. The financial statements of the Medical Center include the Corporation due to the composition of the Corporation's Board of Directors and the purpose of the Corporation.

As required by the newly adopted accounting principles, the annual report consists of three basic financial statements that provide information on the Medical Center as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

Financial Highlights

The Medical Center's financial position improved overall during the fiscal year ended June 30, 2009. Net assets increased approximately $44.201 million over the previous year. The net change resulted from increases in Invested in Capital Assets ($17.973 million) and restricted net assets ($65.924 million) and a decrease in unrestricted net assets ($39.696 million).

The following graph illustrates the comparative change in net assets by category for fiscal years 2009, 2008 and 2007:



Statement of Net Assets

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

From the data presented, readers of the Statement of Net Assets 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 Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the Medical Center's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets 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 net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution.

Statement of Net Assets (continued)

Statement of Net Assets (in thousands)

	2009	2008	2007
Assets			
Current Assets	$ 286,577	$ 317,810	$ 228,797
Capital Assets, Net	398,433	391,468	370,594
Other Assets	258,513	182,757	183,409
Total Assets	$ 943,523	$ 892,035	$ 782,800
Liabilities			
Current Liabilities	$ 115,380	$ 101,604	$ 68,220
Noncurrent Liabilities	200,873	207,362	205,604
Total Liabilities	316,253	308,966	273,824
Net Assets			
Invested in Capital Assets, Net of Debt	247,601	229,628	209,063
Restricted - Expendable	209,707	147,071	134,939
Restricted - Nonexpendable	18,340	15,052	14,817
Unrestricted	151,622	191,318	150,157
Total Net Assets	627,270	583,069	508,976
Total Liabilities and Net Assets	$ 943,523	$ 892,035	$ 782,800

Current assets consist primarily of cash and cash equivalents, accounts receivable and short term investments. The Medical Center decided to invest in short term investments of certificates of deposit maturing within the year in expectation of interest rates rising in the near future. Other current assets decreased from $78.660 million in 2008 to $10.901 million in 2009. Of this $67.759 million decrease, the disproportionate share receivable decreased $48.983 million and the Medicaid Upper Payment Limit receivable decreased $17.580 million.

Restricted cash and cash equivalents increased by $85.93 million from $88.026 million in 2008 to $173.956 million in 2009. The majority of the variance was related to an increase of $80.0 million in funds restricted for building and repair and renovation projects, and an increase of $5.5 million allocated for debt retirement.

Capital assets, net increased $6.965 million from the prior year. Of this amount, $3.727 million was for the Guyton Research Building expansion.

Current liabilities consist primarily of accounts payable to vendors and salaries and wages payable.

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.

The total assets of the Medical Center increased $51.488 million from $892.035 million in 2008 to $943.523 million in 2009. Most of this difference was due to the $85.930 million increase in restricted cash and cash equivalents, the $48.983 million decrease in the disproportionate share receivable, the $17.580 million decrease in Medicaid Upper Payment Limit and the $6.965 million increase in capital assets. Accounts receivable, net increased $14.012 million in 2009 over 2008.

Total liabilities for the year increased $7.287 million. This amount includes an increase in accounts payable and accrued liabilities of $5.772 million. Other current liabilities increased $10.042 million in 2009. Most of this increase was due to an increase of $8.989 million in Due to Third Party Payors. The Medicaid Payable decreased $.352 million.

Unrestricted net assets decreased by $39.696 million from $191.318 million in 2008 to $151.622 million in 2009. The majority of the variance was specifically related to funding reserves for hospital capital projects.

The Medical Center's sound financial position reflects management's wise use of financial resources, exercise of strict cost controls and continued commitment to repair and replacement of the physical facilities.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement 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. Nonoperating revenues are revenues received for which goods and services are not provided. State appropriations are considered nonoperating because they are received by the Medical Center without the Medical Center providing any goods or services for those revenues.

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

Statement of Revenues, Expenses and Changes in Net Assets (in thousands)

	2009	2008	2007
Operating Revenues	$ 693,772	$ 626,833	$ 557,191
Operating Expenses	868,555	794,266	716,922
Operating Loss	(174,783)	(167,433)	(159,731)
Net Nonoperating Revenues and Expenses	215,047	237,324	201,541
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	40,264	69,891	41,810
Other Revenues, Expenses, Gains Or Losses	3,938	1,789	12,715
Net Increase in Net Assets	44,202	71,680	54,525
Net Assets at Beginning of Year, as Originally Reported	583,068	508,976	480,173
Prior Period Adjustments (Note 2)	-	2,412	(25,722)
Net Assets at Beginning of Year, Restated	583,068	511,388	454,451
Net Assets at End of Year	$ 627,270	$ 583,068	$ 508,976

The largest sources of operating revenues were from patient care and grants and contracts. Net patient care revenues showed an increase of $63.741 million. Most of this increase can be attributed to a large volume increase in patient admissions. There was also a small portion of the increase due to rate adjustments.

The Medical Center shows tuition and fees net of related scholarship allowances to comply with the new GASB reporting standards. Tuition and fees, net of scholarship allowances, showed an increase of $1.795 million from $8.496 million in 2008 to $10.291 million in 2009.

The largest category of operating expenses is salaries and wages, representing 45.3% of the total operating expenses. There was a $41.183 million increase in salaries and wages in 2009. Most of this increase was due to new positions in the clinical and technical areas and market adjustments.

The Medical Center relies heavily on funding from state appropriations. The State appropriation funding decreased from $226.289 million in fiscal year 2008 to $218.338 million in fiscal year 2009.

Investment income decreased by $8.959 million from a gain of $4.834 million in 2008 to a loss of $4.125 million in 2009. The majority of the decrease was a net change of $5.044 million in the unrealized loss on investments, which went from a net loss of $5.132 million in 2008 to a net loss of $10.176 million in 2009.

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 Assets.

Cash Flows for the Years ended June 30, (in thousands)

	2009	2008	2007
Cash provided (used) by:			
Operating Activities	$ (78,073)	$ (144,397)	$ (169,259)
Noncapital financing activites	229,344	236,651	185,308
Capital and related financing activites	(50,203)	(48,283)	(38,887)
Investing activities	(39,529)	34,198	15,724
Net Change in Cash	61,539	78,169	(7,114)
Cash and cash equivalents, beginning of the year	225,769	147,600	154,714
Cash and cash equivalents, end of the year	$ 287,308	$ 225,769	$ 147,600

Economic Outlook

At the present time, Medical Center personnel are not aware of any facts or economic conditions that would materially impact the financial position or results of operations for the coming fiscal year. The Medical Center is a public institution funded partially by the State of Mississippi. Our level of State funding is greatly influenced by the financial condition of the State.

The Medical Center is committed to continuing its level of excellence in health professional education, patient care and research for the State of Mississippi. Medical Center administration continues to look for ways to improve operating efficiency, increase revenues, and maintain an excellent level of patient care.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF NET ASSETS

	June 30 2009	June 30 2008
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 113,352,225	$ 137,742,560
Short Term Investments (note # 3)	45,000,000	
Accounts Receivable, Net (note # 4)	96,933,644	84,403,652
Student Notes Receivable (note # 5)	1,190,097	670,901
Inventories	15,886,492	14,697,809
Prepaid Expenses	3,314,078	1,635,272
Other Current Assets	10,900,528	78,660,214
Total Current Assets	**286,577,064**	**317,810,408**
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	173,955,770	88,025,975
Restricted Short Term Investments (note # 3)	442,988	2,967,699
Endowment Investments (note # 3)	42,049,681	50,424,159
Other Long Term Investments (note # 3)	25,540,831	25,800,642
Accounts Receivable, Net (note # 4)	1,481,586	
Student Notes Receivable, net (note # 5)	15,041,957	15,538,068
Capital Assets, Net of Accumulated Depreciation (note # 8)	398,433,412	391,467,573
Total Noncurrent Assets	**656,946,225**	**574,224,116**
Total Assets	**$ 943,523,289**	**$ 892,034,524**
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (note # 6)	$ 60,794,817	$ 55,022,555
Deferred Revenues (note # 7)	1,458,016	2,185,470
Accrued Leave Liabilities - Current Portion (note # 9)	2,180,668	2,354,683
Long Term Liabilities - Current Portion (note # 9)	14,843,177	15,980,727
Other Current Liabilities	36,103,265	26,060,941
Total Current Liabilities	**115,379,943**	**101,604,376**
Noncurrent Liabilities:		
Deposits Refundable (note # 9)		747,321
Accrued Leave Liabilities (note # 9)	32,665,029	27,599,652
Long Term Liabilities (note # 9)	139,157,767	149,696,909
Other Non-Current Liabilities (note # 9)	29,050,860	29,317,990
Total Noncurrent Liabilities	**200,873,656**	**207,361,872**
Total Liabilities	**316,253,599**	**308,966,248**
Net Assets:		
Invested in Capital Assets, Net of Related Debt	247,601,503	229,627,937
Restricted for:		
Nonexpendable -		
Other Purposes	18,339,839	15,051,958
Expendable -		
Scholarships and Fellowships	2,281,045	2,410,819
Research	40,801,690	27,160,023
Capital Projects	95,037,949	43,116,649
Debt Service	10,659,329	5,836,039
Loans	11,304,052	10,060,499
Other Purposes	49,622,520	58,486,647
Unrestricted	151,621,763	191,317,705
Total Net Assets	**627,269,690**	**583,068,276**
Total Liabilities and Net Assets	**$ 943,523,289**	**$ 892,034,524**

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	June 30 2009	June 30 2008
Operating Revenues:		
Tuition and Fees	$ 12,191,692	$ 10,210,762
Less: Scholarship Allowances	(1,900,841)	(1,715,266)
Net Tuition and Fees	10,290,851	8,495,496
Federal Grants and Contracts	40,675,899	36,358,438
State Grants and Contracts	10,521,552	8,304,316
Nongovernmental Grants and Contracts	11,154,661	13,602,870
Sales and Services of Educational Departments	1,193,029	1,011,884
Auxiliary Enterprises:		
Bookstore	1,582,648	2,128,032
Other Auxiliary revenues	1,867,346	1,652,499
Interest Earned on Loans to Students	176,689	160,418
Patient Care Revenues	594,932,868	531,192,186
Other Operating Revenues	21,376,288	23,926,643
Total Operating Revenues	**693,771,831**	**626,832,782**
Operating Expenses:		
Salaries and Wages	393,467,524	352,285,359
Fringe Benefits	102,860,565	93,195,817
Travel	2,503,592	2,384,518
Contractual Services	172,655,557	160,075,530
Utilities	16,828,775	14,937,200
Scholarships and Fellowships	4,635,925	4,040,565
Commodities	147,198,783	141,983,324
Depreciation Expense	27,319,620	25,015,866
Other Operating Expense	1,085,074	348,003
Total Operating Expenses	**868,555,415**	**794,266,182**
Operating Income (Loss)	**(174,783,584)**	**(167,433,400)**
Nonoperating Revenues (Expenses):		
State Appropriations	218,338,044	226,288,885
Gifts and Grants	7,198,885	11,289,373
Investment Income (Loss), Net of Investment Expense	(4,125,078)	4,833,744
Interest Expense on Capital Asset---Related Debt	(8,280,177)	(7,708,383)
Other Nonoperating Revenues	1,915,470	2,620,839
Total Net Nonoperating Revenues (Expenses)	**215,047,144**	**237,324,458**
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	**40,263,560**	**69,891,058**
Capital Grants and Gifts	313,153	184,821
State Appropriations Restricted for Capital Purposes	2,203,587	3,915,653
Additions to Permanent Endowments	3,329,418	245,609
Other Additions	2,485,008	
Other Deductions	(4,393,312)	(2,556,912)
Net Increase in Net Assets	**44,201,414**	**71,680,229**
Net Assets		
Net Assets - Beginning of Year	583,068,276	508,975,763
Prior Period Adjustments (note # 2)		2,412,284
Net Assets - Beginning of Year, as Restated	583,068,276	511,388,047
Net Assets - End of Year	**$ 627,269,690**	**$ 583,068,276**

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF CASH FLOWS

	June 30 2009	June 30 2008
Cash Flows from Operating Activities:		
Tuition and Fees	$ 8,956,887	$ 8,898,822
Grants and Contracts	61,918,438	56,720,102
Sales and Services of Educational Departments	1,124,160	986,903
Payments to Suppliers	(320,269,696)	(298,184,622)
Payments to Employees for Salaries and Benefits	(490,913,416)	(441,010,768)
Payments for Utilities	(18,331,775)	(14,217,200)
Payments for Scholarships and Fellowships	(4,635,925)	(4,040,565)
Loans Issued to Students	(2,551,035)	(2,349,393)
Collection of Loans to Students	1,296,703	1,574,116
Auxiliary Enterprise Charges:		
Student Housing	-	681
Bookstore	1,640,245	2,077,976
Other Auxiliary Enterprises	1,867,166	1,652,679
Patient Care Services	659,836,440	518,775,824
Interest Earned on Loans to Students	176,689	160,418
Other Receipts	22,842,162	24,908,500
Other Payments	(1,029,880)	(350,929)
Net Cash Provided (Used) by Operating Activities	**(78,072,837)**	**(144,397,456)**
Cash Flows from NonCapital Financing Activities:		
State Appropriations	218,581,761	226,028,785
Gifts and Grants for Other Than Capital Purposes	7,198,885	11,289,373
Private Gifts for Endowment Purposes	3,329,418	245,609
Federal Loan Program Receipts	17,991,083	18,211,357
Federal Loan Program Disbursements	(17,991,083)	(18,211,357)
Other Sources	2,128,425	514,419
Other Uses	(1,894,227)	(1,427,308)
Net Cash Provided by Noncapital Financing Activities	**229,344,262**	**236,650,878**
Cash Flows from Capital Financing Activities:		
Proceeds from Capital Debt	85,020,000	-
Cash Paid for Capital Assets	(30,939,852)	(32,763,602)
Capital Grants and Contracts Received	104,170	96,211
Principal Paid on Capital Debt and Leases	(96,027,727)	(11,118,300)
Interest Paid on Capital Debt and Leases	(8,510,028)	(7,580,986)
Proceeds from Sales of Capital Assets	150,293	910,267
Proceeds from Termination of Basis Swaps	-	2,173,200
Net Cash Used by Capital and Related Financing Activities	**(50,203,144)**	**(48,283,210)**
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	59,901,852	64,417,773
Interest Received on Investments	4,488,373	9,894,207
Purchases of Investments	(103,919,046)	(40,113,607)
Net Cash Provided by Investing Activities	**(39,528,821)**	**34,198,373**
Net Increase (Decrease) in Cash and Cash Equivalents	**61,539,460**	**78,168,585**
Cash and Cash Equivalents - Beginning of the Year	**225,768,535**	**147,599,950**
Cash and Cash Equivalents - End of the Year	**$ 287,307,995**	**$ 225,768,535**

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF CASH FLOWS

	June 30			
		2009		**2008**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$	(174,783,584)	$	(167,433,400)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense		27,319,620		25,015,866
Self-insured Claims Expense		2,544,000		2,544,000
Bad Debt Expense		293,287,297		265,600,515
Changes in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts Receivable, Net		(304,801,457)		(269,298,866)
Loans to Students and Employees		(71,784)		(409,142)
Inventories		(1,188,683)		1,131,064
Prepaid Expenses		(1,678,576)		(424,478)
Other Assets		67,759,686		(32,986,126)
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Liabilities		6,043,246		7,914,592
Deferred Revenues		(727,454)		455,453
Deposits Refundable		(747,321)		747,321
Accrued Leave Liabilitiy		3,719,081		2,960,054
Other Liabilities		5,253,092		19,785,691
Total Adjustments:		96,710,747		23,035,944
Net Cash Provided (Used) by Operating Activities:	**$**	**(78,072,837)**	**$**	**(144,397,456)**
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and Cash Equivalents Classified as Current Assets		113,352,225		137,742,560
Cash and Cash Equivalents Classified as Noncurrent Assets		173,955,770		88,025,975
	$	287,307,995	$	225,768,535
NON-CASH TRANSACTIONS				
1.) Unrealized gain/(loss) on fair value of investments		(10,176,194)		(5,131,508)
2.) Fixed assets acquired by incurring capital lease obligations		-		11,426,508
3.) Bureau of Buildings and Grounds - construction in progress and buildings		61,984		3,793,101
4.) Donation of capital assets		208,983		88,610
5.) Land and Buildings transferred from another state agency.		2,272,053		-

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

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

The current twelve 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 Board members. New appointments will occur from the three current Supreme Court districts for terms of nine years. The amendment provides for these new appointments and tenures to be gradually implemented. Full implementation occurs in 2012.

The Medical Center has established its own educational building corporation (a nonprofit corporation incorporated in the State of Mississippi) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of this corporation is for the acquisition, construction and equipping of facilities and land for the Medical Center. In accordance with Governmental Accounting Standards Board Statement No. 14, this educational building corporation is deemed a component unit of the Medical Center and is included as a blended component unit in the general purpose financial statements.

The State of Mississippi Institutions of Higher Learning is considered a component unit of the State of Mississippi reporting entity.

Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - of Public Colleges and Universities*, issued in June and November, 1999 respectively. The Medical Center now follows the "business type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-look at the Medical Center's financial activities.

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 they have been reduced to a legal or contractual obligation to pay. All significant intra-agency transactions have been eliminated.

Cash Equivalents – For purposes of the statement of cash flows, the Medical Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The 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.

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 Medicare and 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 long-term liabilities are unpaid claim liabilities relating to the Medical Center's tort claim fund. 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. Management believes that liabilities established for these unpaid claims at June 30, 2009 are 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.

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 non-governmental 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.

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 assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net assets.

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 ("FIFO") basis or the average cost basis.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Restricted Cash and Cash Equivalents – Cash and cash equivalents 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 assets.

Restricted Short-term Investments – 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 assets.

Endowment Investments – Endowment investments are generally subject to the restrictions of donor gift instruments. They include True Endowment Funds, which are funds received from a donor with the restrictions that only the income is to be utilized, and funds functioning as endowments, which are funds established by the governing board to function like an endowment fund but may be totally expended at any time at the discretion of the governing board.

Other Long-term Investments – The Medical Center accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets. Investments for which there are no quoted market prices are not material.

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. The Medical Center is subject to federal cost reporting requirements, and use 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 8 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred.

Collections – On occasion, the Medical Center may obtain collections of art or historical treasures (usually as private donations to the Medical Center). These collections are usually held for public exhibition, education, or research. The Medical Center is not required to capitalize these collections and in practice generally does not capitalize their value in the financial statements.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Revenues – Deferred 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.

Compensated Absences – Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave.

Nine-month and ten-month employees earn major medical leave at a rate of 13 1/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 15 2/5 hours per month for eight to 15 years of service; and from 15 years of service and over, 16 hours per month are earned. There is no limit on the accumulation of major medical leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

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

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).

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

> *Operating revenues and expenses* - Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) most federal, state, and local grants and contracts; (4) hospital 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, supplies, and other services; (4) professional fees; and (5) depreciation expense related to certain capital assets.
>
> *Non-operating revenues and expenses* - Non-operating revenues and expenses have the characteristics of non-exchange transactions. Examples of non-operating revenues include state appropriations, gifts, and contributions. Non-operating expenses are defined in 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. Examples of non-operating expenses include interest on capital asset related debt and bond expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Hospital and Clinical Service Revenues – The Medical Center's hospital and clinical service revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payers, less an allowance for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare 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. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based upon patients' acuity. Certain inpatient non-acute services and defined medical education costs are paid based on a cost reimbursement methodology. 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 intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Medical Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 24.8% and 33.7%, respectively, of the Medical Center's net patient service revenues for the year ended June 30, 2009 and approximately 21.3% and 35.3%, respectively, for the year ended June 30, 2008. 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.

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 that they are managed as essentially self-supporting activities. Examples are bookstore, student union, and vending operations. The general public may be served incidentally by auxiliary enterprises.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 loans, funds provided to students as awarded by third parties and Federal Direct Lending, 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 operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Net Assets – GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of Medical Center obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in Federal loan programs.

For the years ended June 30, 2009 and 2008, respectively, the Medical Center had unrestricted net asset balances that consisted of the following:

	2009	2008
Reserves for Encumbrances	54,919,206	59,413,242
Unallocated Auxiliary operations	2,825,682	3,497,587
Unallocated Designated projects	29,980,744	18,445,026
Remaining for other purposes	63,896,131	109,961,850
Unrestricted Net Assets	151,621,763	191,317,705

Reclassifications - Certain amounts previously reported for the year ended June 30, 2008, have been reclassified to conform to the classifications used for the year ended June 30, 2009.

Note 2 – Prior Period Adjustments

For the year ended June 30, 2009, the Medical Center recorded prior period adjustments which consisted of the following addition to the restricted expendable for loans net asset balance and deduction to the invested in capital assets net asset balance:

Explanation	June 30, 2008
To adjust the Student Notes Receivable balance to agree with the loan service provider's report.	$ 2,436,296
To adjust Accumulated Depreciation for Buildings to actual at July 1, 2007.	(24,012)
Total Prior Period Adjustments	$ 2,412,284

Note 3 - Cash and Investments

Policies

Cash, Cash Equivalents and Short-term Investments – Investment policies as set forth by the IHL Board of Trustees policy and state statute 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.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the 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.

Investments – Investment policy at the Medical Center is governed by State statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998. The Medical Center has adopted investment and spending policies for endowments as recommended by the University's Joint Committee on Investments. Active domestic equity investment managers must assure that no position of any one company exceeds 8% of the manager's total portfolio as measured at market, maintain a minimum of 20 positions in the portfolio to provide adequate diversification, and maintain adequate diversification among industries by investing no more than 25% of the portfolio in any one industry, as defined by the relevant benchmark. International equities are held to the same standard with the exception of maintaining adequate diversification among economic sectors by investing the portfolio in no more than 100% of the relevant benchmark's weighting in any one economic sector, subject to a maximum exposure of 50% in any one economic sector, and maintaining appropriate diversification with respect to currency and country exposure, with no more than 20% of the international portfolio is to be invested in emerging market countries. To ensure broad diversification among major categories of investments, investments in each investment category is limited a minimum and maximum as a percent of the total market value of the portfolio.

Note 3 - Cash and Investments (Continued)

The following table presents the fair value of investments by type at June 30, 2009 and 2008, respectively:

Investment Type	2009	2008
Certificate of Deposits	$ 45,000,000	$ -
Collateralized Mortgage Obligations	3,042,967	1,945,068
Equity Securities - Common Stock	2,806,448	6,489,448
Equity Securities- Limited Partnership of Premier Purchasing Partners, L.P.		517,037
Equity Hedge Fund	3,934,394	4,892,963
Exchange Traded Fund	2,847,125	2,892,232
Foreign Stock	266,779	
International Equity Fund	5,615,275	9,231,410
Investment Companies - Closed End	29,687	
Money Market Funds		528,574
Mortgage Backed Securities	1,473,274	1,258,224
Multi-strategy Hedge fund	419,713	202,448
Municipal Obligations	2,418,104	2,054,848
Mutual Funds - Fixed Income	12,575,303	13,638,059
Mutual Funds Equity	7,979,262	12,560,777
Partnerships	454,171	450,000
Short Term Investments	5,071,524	
US Govt Obligations	19,099,474	22,531,412
Total	$ 113,033,500	79,192,500

Custodial Credit Risk

Per GASB Statement No. 40, Custodial Credit Risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The Medical Center had no investments exposed to custodial credit risk at June 30, 2009.

Note 3 - Cash and Investments (Continued)

Interest Rate Risk

Per GASB Statement No. 40, Interest Rate Risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. According to the Medical Center investment policy, fixed income investments must maintain a duration within +/- 20% of the effective duration of the benchmark index. As of June 30, 2009, 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	$ 3,042,967	$	$	$	$ 3,042,967
Mortgage Backed Securities	1,473,274				1,473,274
Municipal Obligations	2,418,104		2,418,104		
Mutual Funds - Fixed Income	12,575,303		6,947,011	5,628,292	
U.S. Government Agency Obligations	19,099,474	50,000	4,404,181	14,645,293	
Total	$ 38,609,122	$ 50,000	$ 13,769,296	$ 20,273,585	$ 4,516,241

Credit Risk

According to the Medical Center investment policy, core fixed income investments must maintain an overall weighted average credit rating of A or better by Moody's Investors Service and Standard & Poor's. An overall weighted average credit rating of B or better must be maintained by high yield fixed income investments. As of June 30, 2009, respectively, the Medical Center had the following investments in credit risk:

	Fair Value
Aaa	$ 1,577,685
Aa3	1,085,430
A3	17,521,789
Not Rated	1,368,220
Rating not available	17,055,998
Total	$ 38,609,122

The credit risk ratings listed above are issued upon standards set by Moody's Investors Service.

Note 3 - Cash and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is defined by GASB Statement No. 40 as the risk of loss attributed to the magnitude of a government's investment in a single issuer. According to the Medical Center investment policy, active fixed income investment managers must assure that no position of any one issuer exceeds 5% of the manager's total portfolio as measured at market, except for securities issued by the U.S. government or its agencies. Active high yield and bank loan investment managers must assure that no position of any one corporate issuer shall exceed 2.5% of the manager's total portfolio as measured at market value, except for securities issued by the U.S. government or its agencies. As of June 30, 2009, the Medical Center had the following investment that exceeded 5% of total investments.

Issuer	Fair Value	% of Total Investments
Certificate of Deposit - Regions Bank due 01/29/10	$35,000,000	30.96%

Foreign Currency Risk

Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in foreign currency 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. In addition, no more than 20% of the international portfolio is to be invested in emerging markets. As of June 30, 2009, the Medical Center's exposure to foreign currency risk is limited to $5,615,275 in international equity mutual funds.

Note 4 - Accounts Receivable

Accounts receivable consisted of the following at June 30, 2009 and 2008, respectively:

	2009	2008
Student tuition	$ 1,247,761	$ 1,386,856
Auxiliary enterprises and other operating activities	41,186	99,912
Federal, state, and private grants and contracts	10,796,066	10,361,624
Premier Purchasing Partners	1,583,937	-
State appropriations	337,618	581,335
Accrued interest	356,257	286,269
Patient income	1,489,630,895	1,194,610,877
Other	4,425,609	3,617,127
Total accounts receivable	1,508,419,329	1,210,944,000
Less allowance for doubtful accounts	1,410,004,099	1,126,540,348
Net accounts receivable	$ 98,415,230	$ 84,403,652

Current portion of Accounts Receivable	$ 96,933,644	$ 84,403,652
Non-current portion of Accounts Receivable	1,481,586	-
Net accounts receivable	$ 98,415,230	$ 84,403,652

Note 5 - 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 by the Medical Center at June 30, 2009 and 2008, respectively:

	Interest Rates	2009	Current Portion	Non-Current Portion
Perkins student loans	3% to 9%	$ 7,915,173	$ 547,364	7,367,809
Nursing student loans	3% to 9%	428,145	68,723	359,422
Medical student loans	3% to 9%	165,742	22,977	142,765
Dental student loans	3% to 9%	373,471	20,559	352,912
Institutional loans	0% to 10%	8,767,914	662,707	8,105,207
Total notes receivable		$ 17,650,445	$ 1,322,330	$ 16,328,115
Less allowance for doubtful accounts		1,418,391	132,233	1,286,158
Net notes receivable		$ 16,232,054	$ 1,190,097	$ 15,041,957

	Interest Rates	2008	Current Portion	Non-Current Portion
Perkins student loans	3% to 9%	$ 8,820,263	$ 360,374	8,459,889
Nursing student loans	3% to 9%	523,470	72,044	451,426
Medical student loans	3% to 9%	221,968	39,881	182,087
Dental student loans	3% to 9%	370,026	21,401	348,625
Institutional loans	0% to 10%	7,642,934	251,746	7,391,188
Total notes receivable		$ 17,578,661	$ 745,446	$ 16,833,215
Less allowance for doubtful accounts		1,369,692	74,545	1,295,147
Net notes receivable		$ 16,208,969	$ 670,901	$ 15,538,068

Note 6 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2009 and 2008, respectively, are as follows:

	2009	2008
Payable to vendors and contractors	$ 27,306,777	$ 23,688,588
Accrued salaries, wages and employee withholdings	32,799,381	30,209,545
Accrued interest	555,036	784,887
Other	133,623	339,535
Total	$ 60,794,817	$ 55,022,555

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

Note 7 – Deferred Revenues

Deferred revenues as of June 30, 2009 and 2008, respectively, are as follows:

	2009	2008
Unearned school revenue	$ 1,452,650	$ 2,185,470
Other	5,366	
Total	$ 1,458,016	$ 2,185,470

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

Note 8 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2009 and 2008, respectively, is presented as follows:

	July 1, 2008	Reclasses	Additions	Deletions	June 30, 2009
Nondepreciable Capital Assets:					
Land	$ 3,196,393	$ -	$ 38,280	$ 11,000	$ 3,223,673
Construction in Progress	59,608,021	-	8,389,031	3,996,562	64,000,490
Total Nondepreciable Capital Assets	62,804,414	-	8,427,311	4,007,562	67,224,163
Depreciable Capital Assets:					
Improvements other than Buildings	7,277,311	-	2,280,227	-	9,557,538
Buildings	318,228,963	-	4,895,335	262,973	322,861,325
Equipment	199,337,386	-	21,752,055	15,765,173	205,324,268
Library Books	34,244,494	-	2,266,109	907	36,509,696
Total Depreciable Capital Assets	559,088,154	-	31,193,726	16,029,053	574,252,827
Total Cost of Capital Assets	621,892,568	-	39,621,037	20,036,615	641,476,990
Less Accumulated Depreciation for:					
Improvements other than Buildings	2,964,693	-	373,366	-	3,338,059
Buildings	80,691,120	-	8,003,547	39,884	88,654,783
Equipment	122,673,706	-	16,682,230	14,660,246	124,695,690
Library Books	24,095,476	-	2,260,477	907	26,355,046
Total Accumulated Depreciation	230,424,995	-	27,319,620	14,701,037	243,043,578
Capital Assets, Net	$ 391,467,573	$ -	$ 12,301,417	$ 5,335,578	$ 398,433,412

	July 1, 2007	Reclasses	Additions	Deletions	June 30, 2008
Nondepreciable Capital Assets:					
Land	$ 2,207,235	$ -	$ 989,158	$ -	$ 3,196,393
Construction in Progress	34,961,396	-	27,714,527	3,067,902	59,608,021
Total Nondepreciable Capital Assets	37,168,631	-	28,703,685	3,067,902	62,804,414
Depreciable Capital Assets:					
Improvements other than Buildings	6,806,824	470,487	-	-	7,277,311
Buildings	312,988,721	(470,487)	5,710,729	-	318,228,963
Equipment	196,655,270	-	14,440,105	11,757,989	199,337,386
Library Books	31,856,832	-	2,407,903	20,241	34,244,494
Total Depreciable Capital Assets	548,307,647	-	22,558,737	11,778,230	559,088,154
Total Cost of Capital Assets	585,476,278	-	51,262,422	14,846,132	621,892,568
Less Accumulated Depreciation for:					
Improvements other than Buildings	2,623,372	980	340,341	-	2,964,693
Buildings	72,843,144	(980)	7,848,956	-	80,691,120
Equipment	117,512,824	-	14,637,473	9,476,591	122,673,706
Library Books	21,926,621	-	2,189,096	20,241	24,095,476
Total Accumulated Depreciation	214,905,961	-	25,015,866	9,496,832	230,424,995
Capital Assets, Net	$ 370,570,317	$ -	$ 26,246,556	$ 5,349,300	$ 391,467,573

Note 8 - Capital Assets (Continued)

Capital assets included assets under capital leases with an original cost of $29,111,388 for June 30, 2009 and $34,628,675 for June 30, 2008 and accumulated depreciation of $7,018,321 for June 30, 2009 and $5,710,378 as of June 30, 2008, respectively.

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

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	0%	$50,000
Improvement other Than buildings	20 years	0%	25,000
Equipment	3-25 years	0%	5,000
Library books	10 years	0%	0

Note 9 - Long-term Liabilities

Long-term liabilities of the Medical Center consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2009. The various leases cover a period not to exceed five years.

Information regarding bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2009 and 2008, respectively, are listed in the following schedules. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note 9 - Long-term Liabilities (Continued)

	Original Issue	Annual Interest Rate	Maturity	June 30, 2008	Additions	Deletions	June 30, 2009	Due Within One Year
Bonded Debt								
General Revenue Bonds								
Series 1993	$ 60,000,000	6.40% to 9.00%	2009	$ 3,585,000	$	$ 1,745,000	$ 1,840,000	$ 1,840,000
Series 1998A	9,380,000	4.30% to 5.75%	2011	4,235,000		985,000	3,250,000	1,035,000
Series 1998B	41,075,000	3.88% to 5.90%	2023	40,430,000		90,000	40,340,000	90,000
Series 2002	4,500,000	3.40% to 5.00%	2012	2,040,000		475,000	1,565,000	500,000
Variable Rate Demand Bonds								
Series 2001	45,000,000	3.66%	2031	42,305,000		42,305,000	-	
Series 2004	44,000,000		2034	42,550,000		42,550,000	-	
Series 2008B	41,895,000	3.285%	2031	-	41,895,000		41,895,000	1,010,000
Series 2008A	43,125,000	3.197%	2034	-	43,125,000	390,000	42,735,000	405,000
Total Bonded Debt				135,145,000	85,020,000	88,540,000	131,625,000	4,880,000
Capital Leases								
Various equipment				26,694,636		7,487,727	19,206,909	6,794,142
Total Capital Leases				26,694,636	-	7,487,727	19,206,909	6,794,142
Other Long-term Liabilities								
Accrued leave liabilities				29,954,335	6,844,973	1,953,611	34,845,697	2,180,668
Deposits refundable				747,321		747,321	-	
Federal portion of Federal student loans				7,568,990	389,220	485,350	7,472,860	
Tort claim liability				25,587,000		839,965	24,747,035	3,169,035
Total Other Long-term Liabilities				63,857,646	7,234,193	4,026,247	67,065,592	5,349,703
Total				$ 225,697,282	$ 92,254,193	$ 100,053,974	$ 217,897,501	$ 17,023,845
Due within one year							17,023,845	
Total long-term liabilities							$ 200,873,656	

	Original Issue	Annual Interest Rate	Maturity	June 30, 2007	Additions	Deletions	June 30, 2008	Due Within One Year
Bonded Debt								
General Revenue Bonds								
Series 1993	$ 60,000,000	3.88% to 5.90%	2009	$ 5,235,000	$	$ 1,650,000	$ 3,585,000	$ 1,745,000
Series 1998A	9,380,000	4.30% to 5.75%	2011	5,170,000		935,000	4,235,000	985,000
Series 1998B	41,075,000	3.85% to 5.50%	2023	40,515,000		85,000	40,430,000	90,000
Series 2002	4,500,000	3.40% to 5.00%	2012	2,495,000		455,000	2,040,000	475,000
Variable Rate Demand Bonds								
Series 2001	45,000,000	3.66%	2031	43,235,000		930,000	42,305,000	970,000
Series 2004	44,000,000		2034	42,925,000		375,000	42,550,000	390,000
Total Bonded Debt				139,575,000	-	4,430,000	135,145,000	4,655,000
Capital Leases								
Various equipment				21,956,281	11,426,655	6,688,300	26,694,636	7,487,727
Total Capital Leases				21,956,281	11,426,655	6,688,300	26,694,636	7,487,727
Other Long-term Liabilities								
Accrued leave liabilities				26,935,818	5,473,809	2,455,292	29,954,335	2,354,683
Deposits refundable					747,321		747,321	
Federal portion of Federal student loans				7,786,153	214,281	431,444	7,568,990	
Tort claim liability				25,587,000			25,587,000	3,838,000
Total Other Long-term Liabilities				60,308,971	6,435,411	2,886,736	63,857,646	6,192,683
Total				$ 221,840,252	$ 17,862,066	$ 14,005,036	$ 225,697,282	$ 18,335,410
Due within one year							18,335,410	
Total long-term liabilities							$ 207,361,872	

Note 9 - Long-term Liabilities (Continued)

Bonded Debt

The Corporation issued $9,380,000 of revenue refunding bonds, series 1998A, dated February 1, 1998. The purpose of these revenue refunding bonds is for the advance refunding of the series 1991 revenue bonds. These revenue refunding bonds bear interest at rates of 4.30% to 5.75% with semiannual interest payments due on August 1 and February 1 beginning August 1, 1998. Principal matures from August 1, 1999 through August 1, 2011 with the revenue refunding bonds being subject to early call beginning on August 1, 2006. Repayment of the revenue refunding bonds is secured by a pledge of rental payments from a first supplemental lease agreement dated February 1, 1998 between the Corporation and the Medical Center.

The Corporation issued a $5,900,000 of revenue bonds, series 1993, dated December 15, 1993. The purpose of the revenue bonds was for the refunding of a loan in the amount of $1,900,000 incurred by the Corporation to acquire the University Medical Pavilion located on the campus of the Medical Center and for the construction, installation and equipping of an expansion to the University Medical Pavilion. The revenue bonds bear interest at a rate of 7.25%. Principal and interest payments began February 15, 1994 and are payable in 240 equal payments of $46,632 due the 15th of each month and the bonds are subject to early call. The revenue bonds are secured by an assignment and security agreement dated December 1, 1993 between the Corporation and Trustmark National Bank of Jackson, Mississippi, as the bondholder, of the rental payments due per a lease agreement dated December 1, 1993 between the Corporation and the Medical Center.

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. These revenue bonds bear interest at rates of 3.88% to 5.90% with semiannual interest payments due on June 1 and December 1, beginning June 1, 1994. Principal matures from December 1, 1995 through December 1, 2023 with the revenue bonds being subject to early call beginning on December 1, 2004.

On April 1, 1998, $40,455,000 of the series 1993 bonds were advanced refunded through the issuance of the series 1998B revenue refunding bonds. These revenue refunding bonds bear interest at rates of 3.85% to 5.50% with semiannual interest payments due on June 1 and December 1, beginning December 1, 1998. Principal matures from December 1, 1999 through December 1, 2023 with the revenue refunding bonds being subject to early call beginning on December 1, 2008. Repayment of the revenue refunding bonds is secured by a pledge of rental payments per a first supplemental lease agreement dated April 1, 1998, between the Corporation and the Medical Center.

Note 9 - Long-term Liabilities (Continued)

During the fiscal year ended June 30, 1998, net proceeds of $41,456,210 and $1,219,840 previously held in the 1993 series reserve fund, and $989,965 contributed by the Medical Center were used to purchase U.S. Government Securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on a principal balance of $40,455,000 of the 1993 series revenue bonds. As a result, $40,455,000 of the series 1991 revenue bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets. The defeased bonds were called and repaid from the escrow account at the earliest possible date of December 1, 2004. At June 30, 2009, the principal balance of the defeased Series 1993 revenue bonds was zero.

The Corporation issued $4,500,000 of revenue refunding bonds, series 2002 dated April 1, 2002. The purpose of these revenue bonds was the advance refunding of the series 1993 bonds (University Medical Pavilion Project) dated December 15, 1993, which was a taxable issue. A reorganization plan related to the use of the facilities allowed the issuance of tax-exempt bonds. These revenue bonds bear interest at rates of 3.4% to 5.0% with semiannual interest payments due on April 1 and October 1 beginning October 1, 2002. Principal matures from October 1, 2003 through October 1, 2012 with the revenue refunding bonds being subject to early call beginning October 1, 2007. The Corporation redeemed $4,452,492 of the series 1993 bond during the year ended June 30, 2002, to reduce its total debt service payments over 10 years by approximately $998,128, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $665,000.

On July 18, 2001, the Corporation issued $45,000,000 of series 2001 variable rate demand revenue bonds. The purpose of these revenue bonds was for the construction, acquisition, equipping and renovation of an adult acute care hospital facility to be located on the campus of the Medical Center. Principal matures from July 1, 2005 through 2031, with interest due monthly. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement dated July 1, 2001 between the Corporation and the Medical Center.

On June 21, 2004 the Corporation issued $44,000,000 of series 2004 variable rate demand revenue bonds. The purpose of these revenue bonds was for the expansion and equipping of the children's hospital, and the construction, acquisition, equipping and renovation of a new research building facility to be located on the campus of the Medical Center. Principal matures from July 1, 2005 through 2034, with interest due monthly. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement dated June 1, 2004 between the Corporation and the Medical Center.

On October 16, 2008, in order to mitigate the adverse impact of certain credit market conditions and avoid accelerated amortization, the Corporation advance refunded the series 2001 and 2004 bonds through the issuance of series 2008B $41,895,000 and 2008A $43,125,000 variable rate revenue refunding bonds. For the 2008B issue, principal matures from July 1, 2009 through 2031, with interest due monthly. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement dated July 1, 2001 between the Corporation and the Medical Center. For the 2008A issue, principal matures from June 1, 2009 through 2034, with interest due monthly. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement dated June 1, 2004 between the Corporation and the Medical Center.

Note 9 - Long-term Liabilities (Continued)

The Series 2008A and 2008B bond issues referenced above are demand revenue bonds, subject to purchase on demand of the holder at a price equal to principal plus accrued interest. The Corporation has agreements in place for each demand bond issue, with a remarketing agent to sell any repurchased bonds.

If the remarketing agent is unable to sell repurchased bonds, the Corporation has standby purchase take-out agreements in place guaranteeing liquidity to repurchase the bonds. Once tendered to the liquidity provider, the bonds become classified as bank bonds with a liquidity bank interest rate (a variable rate not to exceed 10%).

The Corporation is required to pay an annual commitment fee of .125% of bonds outstanding to the remarketing agent for both the Series 2008A and 2008B issues. The total fee paid for remarketing agreements in fiscal year ended June 30, 2009 was $7,251 for the 2001 Series and $36,987 for the for the 2008B Series. The remarketing total was for $7,181 for the 2004 Series and $34,023 for the 2008A Series. Both remarketing agreements remain in effect until the earlier of maturity of the bonds or full payment of the bonds.

Additionally, the Corporation is required to pay an annual standby purchase liquidity agreement fee of .44% per annum for the 2008A issue and 2008B issue on the daily amount of available commitment (outstanding principal and interest commitment). The total fee paid for standby purchase liquidity agreements in fiscal year ended June 30 2009 was $122,241 for the 2001 and 2008B series and $111,097 for the 2008A and 2004 series. Both current standby purchase liquidity agreements expire, subject to extension October 14, 2009.

Swap Agreements

Objective of the Interest Rate Swaps - In order to protect against the potential of rising interest rates, the Corporation has entered into interest rate swap agreements for portions of its long-term debt as detailed below.

Terms - On July 1, 2004, the Corporation entered into an interest rate swap agreement (notational amount of $45,000,000) with a financial institution that effectively fixed the interest rate on the Series 2001 revenue bonds at 3.285%. This swap was not terminated when the 2001 Series bonds were refunded but was kept in place for the same purpose for the 2008B Series bonds. The swap agreement settles monthly and matures July 1, 2014. Issuance costs related to this agreement were $60,000. The agreement provides for the Corporation to receive interest from the counterparty at 67% of the London Interbank Offering Rate (LIBOR) and pay interest to the counterparty at a fixed rate of 3.285% on notional amounts of $41,335,000 and $42,305,000 at June 30, 2009 and 2008, respectively. The Corporation also entered into an interest rate swap on August 16, 2004 (notional amount of $44,000,000) with a financial institution that effectively fixed the interest rate on the Series 2004 revenue bonds at 3.197%. This swap was not terminated when the 2004 Series bonds were refunded but was kept in place for the same purpose for the 2008A Series bonds. This swap agreement settles monthly and matures June 1, 2014. Issuance costs related to this agreement were $60,000. The agreement provides for the corporation to receive interest from the counterparty at 67% of LIBOR and to pay interest to the counterparty at a fixed rate of 3.197% on notional amounts of $42,550,000 and $42,925,000 at June 30, 2009 and 2008, respectively.

Note 9 - Long-term Liabilities (Continued)

Fair Value - As of June 30, 2009 and 2008, the fair value of the interest rate swap on Series 2008B bonds was ($2,601,683) and ($931,107), respectively, and the fair value on the Series 2008A bonds was ($2,574,146) and ($771,194), respectively. The fair value was calculated comparing the fixed rate on the swap to the current fixed rates that could be achieved in the market place should the swap be unwound.

Credit Risk - At June 30, 2009, the Corporation was not exposed to any credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the derivatives' fair value.

Basis Risk - The swap exposes the Corporation to basis risk should the relationship between LIBOR and the prime rate change in a manner adverse to the Corporation. If an adverse change occurs in the relationship between these rates, the expected cost-savings may not be realized.

Termination Risk - The Corporation or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate debt would no longer have a synthetic fixed rate of interest. Also, if the swap has a negative fair value at the time of termination, the Corporation would be liable to the counterparty for a payment equal to the swaps then fair value.

Swap Payments and Associated Debt - Using rates as of June 30, 2009, debt service requirements of the variable rate and net swap payments, assuming current interest rates remain the same for their term were as follows for the $41.895 million Series 2008B:

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 1,010,000	$ 102,212	$ 668,572	$ 1,780,784
2011	1,050,000	99,588	651,402	1,800,990
2012	1,095,000	96,850	633,496	1,825,346
2013	1,145,000	93,988	614,772	1,853,760
2014	1,195,000	91,000	595,231	1,881,231
2015-2019	9,470,000	388,237		9,858,237
2020-2024	10,595,000	257,275		10,852,275
2025-2029	10,465,000	125,212		10,590,212
2030-2034	5,870,000	14,425		5,884,425
Total	$ 41,895,000	$ 1,268,787	$ 3,163,473	$ 46,327,260

Note 9 - Long-term Liabilities (Continued)

Using rates as of June 30, 2009, debt service requirements of the variable-rate and net swap payments, assuming current interest rates remain the same for their term were as follows for the $43.125 million Series 2008A:

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 405,000	$ 97,359	$ 654,883	$ 1,157,242
2011	420,000	96,393	648,385	1,164,778
2012	1,175,000	93,691	630,207	1,898,898
2013	1,225,000	90,873	611,255	1,927,128
2014	1,265,000	87,964	591,685	1,944,649
2015-2019	10,235,000	369,253		10,604,253
2020-2024	10,190,000	251,493		10,441,493
2025-2029	9,595,000	137,885		9,732,885
2030-2034	8,225,000	36,391		8,261,391
Total	$ 42,735,000	$ 1,261,302	$ 3,136,415	$ 47,132,717

Capital Leases

A 60 month installment purchase agreement was issued in November 2003 in the amount of $130,253 payable to Preferred Medical Systems. The principal is payable in monthly installments of $2,343, which includes interest of 3.07%. The proceeds of the note were used to purchase a Volusion 730 console. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in November 2003 in the amount of $26,029 payable to Expanets. The principal is payable in monthly installments of $468, which includes interest of 3.07%. The proceeds of the note were used to purchase a telephone system. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in November 2003 in the amount of $83,000 payable to Diagnostic Images. The principal is payable in monthly installments of $1,493, which includes interest of 3.07%. The proceeds of the note were used to purchase a mammography system. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in November 2003 in the amount of $615,907 payable to Hill Rom. The principal is payable in monthly installments of $11,077, which includes interest of 3.07%. The proceeds of the note were used to purchase Advanta beds. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in November 2003 in the amount of $881,025 payable to Lavatec. The principal is payable in monthly installments of $15,845, which includes interest of 3.07%. The proceeds of the note were used to purchase laundry equipment. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in November 2003 in the amount of $213,105 payable to Flanagan Instruments. The principal is payable in monthly installments of $3,833, which includes interest of 3.07%. The proceeds of the note were used to purchase a multi-vision system. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in November 2003 in the amount of $214,775 payable to Bruker Biospin. The principal is payable in monthly installments of $3,863, which includes interest of 3.07%. The proceeds of the note were used to purchase a spectrometer. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in November 2003 in the amount of $76,073 payable to Immersion Medical. The principal is payable in monthly installments of $1,368, which includes interest of 3.07%. The proceeds of the note were used to purchase an endoscopy system. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in November 2003 in the amount of $361,238 payable to G E Medical. The principal is payable in monthly installments of $6,497, which includes interest of 3.07%. The proceeds of the note were used to purchase a CT/I Performix. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in June 2004 in the amount of $1,309,515 payable to G E Medical. The principal is payable in monthly installments of $24,233, which includes interest of 4.06%. The proceeds of the note were used to purchase a Pro 16 Scanner. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in June 2004 in the amount of $947,923 payable to G E Medical. The principal is payable in monthly installments of $17,542, which includes interest of 4.06%. The proceeds of the note were used to purchase a CT scanner. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in June 2004 in the amount of $335,149 payable to G E Medical. The principal is payable in monthly installments of $6,202, which includes interest of 4.06%. The proceeds of the note were used to purchase an Infinia Camera. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in June 2004 in the amount of $277,080 payable to Siemens Medical Systems. The principal is payable in monthly installments of $5,128, which includes interest of 4.06%. The proceeds of the note were used to purchase a C Cam System. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in June 2004 in the amount of $105,502 payable to Lombart Instruments. The principal is payable in monthly installments of $1,953, which includes interest of 4.06%. The proceeds of the note were used to purchase a Sonomed A Scan. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in June 2004 in the amount of $186,187 payable to Steris Corp. The principal is payable in monthly installments of $3,445, which includes interest of 4.06%. The proceeds of the note were used to purchase a Gravity Sterilizer. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in June 2004 in the amount of $94,879 payable to Philips Ultrasound. The principal is payable in monthly installments of $1,756, which includes interest of 4.06%. The proceeds of the note were used to purchase an Ultrasound Machine. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in June 2004 in the amount of $206,338 payable to Leica Microscopes. The principal is payable in monthly installments of $3,818, which includes interest of 4.06%. The proceeds of the note were used to purchase a Confocal Microscope. Repayment provisions are provided by general operating revenues. There was no outstanding principal at June 30, 2009.

A 60 month installment purchase agreement was issued in February 2005 in the amount of $745,191 payable to Philips Medical. The principal is payable in monthly installments of $13,659, which includes interest of 3.82%. The proceeds of the note were used to purchase monitors. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $94,407.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $80,190 payable to Mid-South X-Ray. The principal is payable in monthly installments of $1,519, which includes interest of 4.71%. The proceeds of the note were used to purchase a Smart CR Light. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $35,727.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $480,852 payable to G.E. Healthcare. The principal is payable in monthly installments of $9,108, which includes interest of 4.71%. The proceeds of the note were used to purchase a Digital Radiography System. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $214,231.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in June 2006 in the amount of $452,209 payable to G.E. Healthcare. The principal is payable in monthly installments of $8,566, which includes interest of 4.71%. The proceeds of the note were used to purchase a digital radiography system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $201,470.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $1,104,458 payable to Philips Medical. The principal is payable in monthly installments of $20,921, which includes interest of 4.71%. The proceeds of the note were used to purchase a cardiovascular system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $492,062.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $255,535 payable to Biosense Webster. The principal is payable in monthly installments of $4,840, which includes interest of 4.71%. The proceeds of the note were used to purchase a carto xp system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $113,847.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $184,700 payable to Bard Electrophysiology. The principal is payable in monthly installments of $3,498, which includes interest of 4.71%. The proceeds of the note were used to purchase an intra-cardiac lab system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $82,288.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $209,165 payable to Auto Med. The principal is payable in monthly installments of $3,962, which includes interest of 4.71%. The proceeds of the note were used to purchase an automed dispenser. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $93,188.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $297,483 payable to MedSelect. The principal is payable in monthly installments of $5,635, which includes interest of 4.71%. The proceeds of the note were used to purchase an automated dispensing system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $132,536.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $153,273 payable to AutoMed. The principal is payable in monthly installments of $2,903, which includes interest of 4.71%. The proceeds of the note were used to purchase an automated dispensing system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $68,287.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $21,395 payable to Mid South X-Ray. The principal is payable in monthly installments of $405, which includes interest of 4.71%. The proceeds of the note were used to purchase a laser printer. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $9,532.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in June 2006 in the amount of $25,964 payable to Mid South X-Ray. The principal is payable in monthly installments of $491, which includes interest of 4.71%. The proceeds of the note were used to purchase a laser printer. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $11,568.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $326,806 payable to Siemens. The principal is payable in monthly installments of $6,190, which includes interest of 4.71%. The proceeds of the note were used to purchase a mammography unit. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $145,600.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $159,852 payable to Toshiba. The principal is payable in monthly installments of $3,028, which includes interest of 4.71%. The proceeds of the note were used to purchase an ultrasound imaging unit. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $71,218.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $2,365,363 payable to Siemens. The principal is payable in monthly installments of $44,805, which includes interest of 4.71%. The proceeds of the note were used to purchase a bi-plane special procedures equipment. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $1,053,825.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $634,730 payable to Stryker Endoscopy. The principal is payable in monthly installments of $12,023, which includes interest of 4.71%. The proceeds of the note were used to purchase an endoscopy unit. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $282,787.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $76,562 payable to Conmed. The principal is payable in monthly installments of $1,450, which includes interest of 4.71%. The proceeds of the note were used to purchase an electrosurgical unit. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $34,110.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $552,227 payable to Stryker Communications. The principal is payable in monthly installments of $10,460, which includes interest of 4.71%. The proceeds of the note were used to purchase a switchpoint infinity control system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $246,030.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $190,964 payable to ASP. The principal is payable in monthly installments of $3,617, which includes interest of 4.71%. The proceeds of the note were used to purchase a sterilization system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $85,079.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in June 2006 in the amount of $66,000 payable to Flanagan. The principal is payable in monthly installments of $1,250, which includes interest of 4.71%. The proceeds of the note were used to purchase a headlight illumination system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $29,404.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $612,763 payable to G.E. Healthcare. The principal is payable in monthly installments of $11,607, which includes interest of 4.71%. The proceeds of the note were used to purchase a patient care station. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $273,000.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $29,546 payable to 3M Health Care. The principal is payable in monthly installments of $559, which includes interest of 4.71%. The proceeds of the note were used to purchase a sterilizer. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $13,163.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $135,530 payable to Carl Zeiss Surgical. The principal is payable in monthly installments of $2,567 which includes interest of 4.71%. The proceeds of the note were used to purchase a Xenon microscope. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $60,382.

A 60 month installment purchase agreement was issued in June 2006 in the amount of $74,500 payable to Flanagan Instruments. The principal is payable in monthly installments of $1,411, which includes interest of 4.71%. The proceeds of the note were used to purchase a refurbished Leica system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $33,191.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $1,069,928 payable to Siemens. The principal is payable in monthly installments of $19,794, which includes interest of 4.12%. The proceeds of the note were used to purchase a MRI scanner. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $523,026.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $1,553,776 payable to Siemens. The principal is payable in monthly installments of $28,745, which includes interest of 4.12%. The proceeds of the note were used to purchase a MRI scanner. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $759,551.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $319,553 payable to Philips Ultrasound. The principal is payable in monthly installments of $5,911, which includes interest of 4.12%. The proceeds of the note were used to purchase an ultrasound system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $156,211.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in November 2006 in the amount of $808,056 payable to Siemens. The principal is payable in monthly installments of $14,949, which includes interest of 4.12%. The proceeds of the note were used to purchase a modular building. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $395,012.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $192,399 payable to Medtronic. The principal is payable in monthly installments of $3,559, which includes interest of 4.12%. The proceeds of the note were used to purchase an ent system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $94,053.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $76,378 payable to Olympus Surgical. The principal is payable in monthly installments of $1,413, which includes interest of 4.12%. The proceeds of the note were used to purchase an airway system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $37,337.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $71,453 payable to Carl Zeiss. The principal is payable in monthly installments of $1,322, which includes interest of 4.12%. The proceeds of the note were used to purchase an ent microscope. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $34,929.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $69,465 payable to Alcon Lab. The principal is payable in monthly installments of $1,285, which includes interest of 4.12%. The proceeds of the note were used to purchase an Infiniti vision system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $33,958.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $47,131 payable to Carl Zeiss. The principal is payable in monthly installments of $872, which includes interest of 4.12%. The proceeds of the note were used to purchase a Movena S7. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $23,039.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $14,363 payable to Civco Medical. The principal is payable in monthly installments of $266, which includes interest of 4.12%. The proceeds of the note were used to purchase a microtouch stabilizer. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $7,021.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $69,720 payable to Carl Zeiss. The principal is payable in monthly installments of $1,290, which includes interest of 4.12%. The proceeds of the note were used to purchase a visulas laser. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $34,082.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in November 2006 in the amount of $34,497 payable to United Ultrasound. The principal is payable in monthly installments of $638, which includes interest of 4.12%. The proceeds of the note were used to purchase a diagnostic ultrasound. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $16,864.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $45,100 payable to Varian Brachy. The principal is payable in monthly installments of $834, which includes interest of 4.12%. The proceeds of the note were used to purchase a variseed system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $22,047.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $68,670 payable to Alcon Lab. The principal is payable in monthly installments of $1,270, which includes interest of 4.12%. The proceeds of the note were used to purchase a xenon illuminator. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $33,569.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $661,317 payable to Lorad. The principal is payable in monthly installments of $12,235, which includes interest of 4.12%. The proceeds of the note were used to purchase a selenia base system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $323,280.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $259,000 payable to Viasys Healthcare. The principal is payable in monthly installments of $4,792, which includes interest of 4.12%. The proceeds of the note were used to purchase an epilepsy monitoring system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $126,610.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $108,558 payable to Mid South Medical. The principal is payable in monthly installments of $2,008, which includes interest of 4.12%. The proceeds of the note were used to purchase a plate reader. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $53,068.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $238,711 payable to Invivo. The principal is payable in monthly installments of $4,416, which includes interest of 4.12%. The proceeds of the note were used to purchase a knee foot coil. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $116,692.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $767,410 payable to Philips Medical. The principal is payable in monthly installments of $14,197, which includes interest of 4.12%. The proceeds of the note were used to purchase an ultrasound system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $375,143.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in November 2006 in the amount of $64,330 payable to Intermetro Industries. The principal is payable in monthly installments of $1,190, which includes interest of 4.12%. The proceeds of the note were used to purchase shelving. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $31,447.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $155,097 payable to Lorad. The principal is payable in monthly installments of $2,869, which includes interest of 4.12%. The proceeds of the note were used to purchase a breast biopsy system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $75,818.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $122,435 payable to Invivo. The principal is payable in monthly installments of $2,265, which includes interest of 4.12%. The proceeds of the note were used to purchase a digital imaging system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $59,851.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $657,480 payable to Automed Technologies. The principal is payable in monthly installments of $12,163, which includes interest of 4.12%. The proceeds of the note were used to purchase an inventory management system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $321,404.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $120,414 payable to G E Medical. The principal is payable in monthly installments of $2,227, which includes interest of 4.12%. The proceeds of the note were used to purchase an image intensifier. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $58,864.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $135,553 payable to G E Medical. The principal is payable in monthly installments of $2,508, which includes interest of 4.12%. The proceeds of the note were used to purchase a mobile C arm. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $66,264.

A 60 month installment purchase agreement was issued in November 2006 in the amount of $215,015 payable to G E Medical. The principal is payable in monthly installments of $3,978, which includes interest of 4.12%. The proceeds of the note were used to purchase digital mobile C arm. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $105,109.

A 60 month installment purchase agreement was issued in May 2007 in the amount of $4,610,269 payable to Cardinal Alaris. The principal is payable in monthly installments of $86,702, which includes interest of 4.42%. The proceeds of the note were used to purchase IV pumps. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $2,741,106.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in May 2007 in the amount of $84,491 payable to Astromed. The principal is payable in monthly installments of $1,589, which includes interest of 4.42%. The proceeds of the note were used to purchase an aura psg system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $50,236.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $1,500,000 payable to Siemens. The principal is payable in monthly installments of $28,672, which includes interest of 5.3633%. The proceeds of the note were used to purchase a somaton ct scanner. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $1,024,067.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $56,207 payable to Waters Truck and Tractor. The principal is payable in monthly installments of $1,074, which includes interest of 5.3633%. The proceeds of the note were used to purchase a lyncoach laundry truck. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $38,373.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $55,125 payable to Philips Medical System. The principal is payable in monthly installments of $1,054, which includes interest of 5.3633%. The proceeds of the note were used to purchase abdominal ultrasound systems. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $37,635.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $73,581 payable to Philips Medical System. The principal is payable in monthly installments of $1,406, which includes interest of 5.3633%. The proceeds of the note were used to purchase abdominal ultrasound systems. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $50,235.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $536,286 payable to Siemens. The principal is payable in monthly installments of $10,251, which includes interest of 5.3633%. The proceeds of the note were used to purchase a digital radiography system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $366,128.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $99,112 payable to Olympus Surgical. The principal is payable in monthly installments of $1,894, which includes interest of 5.3633%. The proceeds of the note were used to purchase a surgical cystoscopy system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $67,665.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $141,761 payable to Philips Medical System. The principal is payable in monthly installments of $2,710, which includes interest of 5.3633%. The proceeds of the note were used to purchase patient monitoring systems. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $96,782.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in October 2007 in the amount of $39,103 payable to Philips Medical System. The principal is payable in monthly installments of $747, which includes interest of 5.3633%. The proceeds of the note were used to purchase patient monitoring systems. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $26,696.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $34,520 payable to Parks Medical Electronics. The principal is payable in monthly installments of $660, which includes interest of 5.3633%. The proceeds of the note were used to purchase patient monitoring systems. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $23,567.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $39,719 payable to Philips Medical System. The principal is payable in monthly installments of $759, which includes interest of 5.3633%. The proceeds of the note were used to purchase patient monitoring systems. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $27,117.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $108,772 payable to OSI Orthopedic. The principal is payable in monthly installments of $2,079, which includes interest of 5.3633%. The proceeds of the note were used to purchase an orthopedic surgical table system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $74,260.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $29,539 payable to Amerisource. The principal is payable in monthly installments of $565, which includes interest of 5.3633%. The proceeds of the note were used to purchase a pharmaceutical dispensing system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $20,166.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $37,750 payable to Thermo Electron. The principal is payable in monthly installments of $722, which includes interest of 5.3633%. The proceeds of the note were used to purchase a tissue processor system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $25,772.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $27,024 payable to Avaya. The principal is payable in monthly installments of $1,001, which includes interest of 5.3633%. The proceeds of the note were used to purchase a digital call recording system for the emergency departments. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $18,450.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $81,000 payable to Avaya. The principal is payable in monthly installments of $517, which includes interest of 5.3633%. The proceeds of the note were used to purchase an intravascular ultrasound imaging system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $55,300.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in October 2007 in the amount of $52,362 payable to Spacelabs Healthcard. The principal is payable in monthly installments of $1,548, which includes interest of 5.3633%. The proceeds of the note were used to purchase ambulatory electrocardiography monitors. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $35,748.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $148,550 payable to Siemens. The principal is payable in monthly installments of $2,839, which includes interest of 5.3633%. The proceeds of the note were used to purchase ambulatory electrocardiography monitors. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $101,417.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $550,000 payable to Siemens. The principal is payable in monthly installments of $10,513, which includes interest of 5.3633%. The proceeds of the note were used to purchase an open ct scanner. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $375,491.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $1,221,885 payable to Siemens. The principal is payable in monthly installments of $23,356, which includes interest of 5.3633%. The proceeds of the note were used to purchase a biplane angiography system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $834,194.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $12,800 payable to Prometheus Group. The principal is payable in monthly installments of $245, which includes interest of 5.3633%. The proceeds of the note were used to purchase a pathway cts module. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $8,739.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $143,687 payable to Edwards Lifesciences, LLC. The principal is payable in monthly installments of $2,746, which includes interest of 5.3633%. The proceeds of the note were used to purchase cardiac monitors. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $98,097.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $457,159 payable to Pellerin Laundry. The principal is payable in monthly installments of $8,738, which includes interest of 5.3633%. The proceeds of the note were used to purchase cardiac monitors. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $312,107.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $149,820 payable to Viasys Respiratory Care. The principal is payable in monthly installments of $2,864, which includes interest of 5.3633%. The proceeds of the note were used to purchase pulmonary function measurement modules. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $102,284.

Note 9 - Long-term Liabilities (Continued)

A 60 month installment purchase agreement was issued in October 2007 in the amount of $236,082 payable to Fresenius. The principal is payable in monthly installments of $4,513, which includes interest of 5.3633%. The proceeds of the note were used to purchase a hemodialysis system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $161,176.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $10,115 payable to Stille-Sonesta Inc. The principal is payable in monthly installments of $193, which includes interest of 5.3633%. The proceeds of the note were used to purchase a urological procedure chair. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $6,906.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $397,619 payable to CDW Government. The principal is payable in monthly installments of $7,600, which includes interest of 5.3633%. The proceeds of the note were used to purchase a digital press for the printshop. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $271,459.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $1,213,136 payable to Siemens. The principal is payable in monthly installments of $23,188, which includes interest of 5.3633%. The proceeds of the note were used to purchase a ct scanner. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $828,222.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $1,881,908 payable to Philips Medical System. The principal is payable in monthly installments of $36,196, which includes interest of 5.158%. The proceeds of the note were used to purchase NICU monitors. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $1,478,086.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $1,109,937 payable to Johnson Controls. The principal is payable in monthly installments of $21,348, which includes interest of 5.158%. The proceeds of the note were used to purchase a child security system. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $871,765.

A 36 month installment purchase agreement was issued in October 2007 in the amount of $19,999 payable to Image Access. The principal is payable in monthly installments of $597, which includes interest of 4.76%. The proceeds of the note were used to purchase a digital scanning system for the library. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $12,563.

A 60 month installment purchase agreement was issued in October 2007 in the amount of $1,532,838 payable to Datex Ohmeda/GE Healthcare. The principal is payable in monthly installments of $29,482, which includes interest of 5.158%. The proceeds of the note were used to purchase anesthesia delivery units. Repayment provisions are provided by general operating revenues. The outstanding principal at June 30, 2009 is $1,203,919.

Note 9 - Long-term Liabilities (Continued)

Scheduled maturities of long term liabilities are as follows:

Fiscal Year Ended	Bonded Debt	Capital Leases	Total Interest	Total
2010	4,880,000	6,794,142	5,879,050	17,553,192
2011	5,110,000	7,016,993	5,340,311	17,467,304
2012	6,090,000	4,205,545	4,777,523	15,073,068
2013	4,615,000	1,190,229	4,384,155	10,189,384
2014	31,050,000		11,595,096	42,645,096
2015-2019	37,650,000		4,059,643	41,709,643
2020-2024	24,250,000		419,816	24,669,816
2025-2029	16,495,000		84,128	16,579,128
2030-2034	1,485,000		281	1,485,281
Totals	$131,625,000	$ 19,206,909	$ 36,540,003	$187,371,912

Note 10 - Operating Leases

Operational leases have been issued to cover rental of floor space at the Jackson Medical Mall and various other locations in the Jackson – Lexington areas. The spaces are used as patient care facilities and administrative offices. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30, 2009	Amount
2010	$ 6,275,543
2011	5,553,138
2012	4,905,946
2013	3,182,702
2014	2,183,311
2015 - 2019	8,285,489
2020	834,868
Total Minimum Payments Required	$ 31,220,997

The total rental expense for all operating leases, except those with terms of a month or less that were renewed, for the fiscal years ending June 30, 2009 and 2008 was $7,308,953 and $6,655,655, respectively.

Note 11 - Natural Classifications with Functional Classifications

The Medical Center's operating expenses by functional classification were as follows for the year ended June 30, 2009:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$ 85,575,457	$ 20,357,908	$ 394,997	$ 4,535,807			$ 4,921,863			$ 115,786,032
Hospital Instruction	17,988,984	5,133,902	1,675	248,796			7,161			23,380,518
Research	11,241,366	2,880,935	558,687	3,882,821			4,081,193			22,645,002
Public Service	9,272,652	2,379,890	339,687	4,778,601			1,425,665			18,196,495
Academic Support	7,408,189	1,820,373	265,878	5,165,740			1,009,374			15,669,554
Student Services	585,534	170,261	2,563	345,413			115,887			1,219,658
Institutional Support	21,177,832	5,349,011	569,956	9,513,995			1,958,008			38,568,802
Operation of Plant	5,737,716	1,999,949	185	5,805,992	5,956,564		1,410,109			20,910,515
Student Aid						4,635,925				4,635,925
Auxiliary Enterprises	374,149	114,514	11,014	1,005,629			905,633			2,410,939
Depreciation								27,319,620		27,319,620
Hospital	234,105,645	62,653,822	358,950	137,372,763	10,872,211		131,363,890			576,727,281
Loan Fund									1,085,074	1,085,074
Total Operating Expenses	$ 393,467,524	$ 102,860,565	$ 2,503,592	$ 172,655,557	$ 16,828,775	$ 4,635,925	$ 147,198,783	$ 27,319,620	$ 1,085,074	$ 868,555,415

Note 11 - Natural Classifications with Functional Classifications (Continued)

The Medical Center's operating expenses by functional classification were as follows for the year ended June 30, 2008:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$ 80,597,549	$ 19,576,284	$ 315,876	$ 4,453,275			$ 4,047,948			$ 108,990,932
Hospital Instruction	16,112,414	4,645,245		2,148,748			34,092			22,940,499
Research	11,230,859	2,803,476	520,558	3,273,942			3,769,419			21,598,254
Public Service	8,701,468	2,344,772	394,235	5,096,938			1,660,390			18,197,803
Academic Support	7,062,933	1,760,580	227,987	2,282,880			922,024			12,256,404
Student Services	564,597	169,649	11,339	205,081			111,081			1,061,747
Institutional Support	27,980,030	7,507,079	699,114	14,778,415			1,435,369			52,400,007
Operation of Plant	7,640,227	2,601,590		4,655,192	14,937,200		1,550,430			31,384,639
Student Aid						4,040,565				4,040,565
Auxiliary Enterprises	379,645	116,579	8,712	1,106,657			1,627,150			3,238,743
Depreciation								25,015,866		25,015,866
Hospital	192,015,637	51,670,563	206,697	122,074,402			126,825,421			492,792,720
Loan Fund									348,003	348,003
Total Operating Expenses	$ 352,285,359	$ 93,195,817	$ 2,384,518	$ 160,075,530	$ 14,937,200	$ 4,040,565	$ 141,983,324	$ 25,015,866	$ 348,003	$ 794,266,182

Note 12 - Construction Commitments and Financing

The Medical Center has contracted for various construction projects as of June 30, 2009. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	Total Costs to Complete	Funded by: Federal Sources	State Sources	Institutional Funds	Other
Perimeter Fencing - Phase II	$ 199,778	$		$ 199,778	
Guyton Building Expansion - Design Phase	699,196	407,365		291,831	
Renovation/Relocation of Pediatric Clinic	247,929				247,929
Renovation/Relocation of AED, Radiology, AKU	82,630			82,630	
Renovations/Additions to Graphics/Signage	44,048			44,048	
Addition to Children's Hospital Exterior Corridor	56,345			56,345	
Renovations to SOD Surgical Suite	769,334			769,334	
Revisions to Guyton Chilled Water	398,148		398,148		
Renovations to OR #14 Endovascular Room	180,136			180,136	
Generator System - DIS Building	25,689			25,689	
Emergency Fuel Center	5,557			5,557	
Misc Repairs to Power Plant/Physical Facilities	725,198			725,198	
Renovations to Hospital 5-East	3,319,198			3,319,198	
Renovations for Linear Accelerator	21,190			21,190	
Renovations to Surgical Short Stay Unit	1,575,607			1,575,607	
Upgrade to Elevators #5 & #6	564,866			564,866	
Renovatation to Hospital 4-East	555,114			555,114	
Removations to Temporal Bone Lab	84,534			84,534	
Exterior Graphics - Phase I	297,390			297,390	
Remove Boilers #4 & #5/Install 1 New Boiler	3,143,558			3,143,558	
Renovation of Student Lounge Area	252,768			252,768	
Revisions to DHA/DIS Generator Switching	114,333			114,333	
DHA/DIS Fire Extinguishing System	69,438			69,438	
Renovations to Pediatric ICU	260,290			10,290	250,000
Renovations to AED Fast Track	1,894,742			1,894,742	
Addition to Pavilion Vascular Cath Bldg	370,234			370,234	
Renovations to SHRP Lab	249,634			249,634	
Repainting of Water Tower	94,126			94,126	
Fiber Optic Cables - SHRP to Apt Bldg E	99,326			99,326	
New Hospital Generator - 2008	1,116,493			1,116,493	
Exterior Lighting for Water Tower	66,960			66,960	
Renovation of Pediatric Emergency Room	5,205,996				5,205,996
Renovation of 764 Lakeland Building	2,956,842			1,431,842	1,525,000
Total	$ 25,746,627	$ 407,365	$ 398,148	$ 17,712,189	$ 7,228,925

Note 13 - Pension Plan

Plan description – The State of Mississippi Institutions of Higher Learning (IHL) participates in either the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan or the Optional Retirement Plan (ORP), a multiple-employer defined contribution plan established in 1990. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Note 13 - Pension Plan (Continued)

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

Funding Policy – PERS members are required to contribute 7.25% of their annual salary and the institution is required to contribute at an actuarially determined rate. The actuarially determined rate was 11.30% of annual covered payroll as of July 1, 2006. The rate increased to 11.85% as of July 1, 2007 and to 12.00% as of July 1, 2009. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institutional contributions to PERS for the years ending June 30, 2009, 2008, and 2007 were $38,141,489, $33,988,047, and $29,776,003, respectively. Such contributions equaled the required contributions for each respective year.

The membership of the ORP is composed of teachers and administrators of the IHL appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. Membership in ORP is offered as a recruitment tool for the IHL. The Medical Center's contributions to ORP for the years ending June 30, 2009, 2008, and 2007 were $8,770,536, $6,766,554, and $5,605,656, respectively. Such contributions equaled the required contributions for each respective year.

Note 14 - Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure as of June 30, 2009 and 2008, was $3,716,753 and $8,440,617, respectively. These amounts are included on the Statement of Net Assets in "Net Assets - Expendable for Other Purposes".

Most endowments operate on the total-return concept as permitted by the Uniform Management of Institutional Funds Act (Sections 79-11-601 through 79-11-617, MS Code, Ann. 1972) as enacted in 1998. The annual spending rate for these endowments is 5% of the three-year moving average market value.

Note 15 - Federal Loan Program Disbursements

The Medical Center distributed federal loan funds for the year ended June 30, 2009 and 2008 as follows:

	2009	2008
Federal Federal Family Education Loan Program	$ 17,704,138	$ 16,839,207
Federal Perkins Loan Program	221,445	1,114,395
Health and Human Service Loan Program	65,500	257,755
Total	$ 17,991,083	$ 18,211,357

These distributions and their related funding sources are included as "Noncapital Financing" distributions in the Statement of Cash Flows.

Note 16 - University of Mississippi Medical Center Tort Claims Fund

The Medical Center participates in the University of Mississippi Medical Center Tort Claims Fund (UMMC Tort Claims Fund). In accordance with Section 11-46-1, et seq., Mississippi Code Annotated (1972), the Mississippi Tort Claims Board has authorized the Board of Trustees of the State Institutions of Higher Learning to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act.

Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against the State Institutions of Higher Learning. A maximum limit liability of $500,000 per occurrence is currently permissible.

The Board of Trustees of State Institutions of Higher Learning has established a 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.

Note 17 – Subsequent Events

Hospital Reimbursement Issues - The University Hospitals and Health System (UHHS) Medicare cost reports have been audited and settled by the fiscal intermediary through the cost reports filed for the year ended June 30, 2007. During FY 2008, UHHS received notification from the fiscal intermediary of the intent to reopen cost reports filed for as far back as the year ended June 20, 2002 to adjust for overpayments made for outpatient renal dialysis services. The estimated liability for these adjustments was $8 million and was included in the financial statements as of June 30, 2008. During FY 2009, UHHS repaid the Medicare program $5.5 million for outpatient renal dialysis services and other adjustments for fiscal years 2003 to 2006.

Note 17 – Subsequent Events (Continued)

UHHS routinely enters into consulting arrangements to re-open or amend Medicare cost reports for purposes of increasing Medicaid eligible days in the Medicare DSH calculation and to increase reimbursement for other programs. The ultimate disposition of any of these reviews is uncertain, thus the reimbursement effect cannot be reasonably estimated until settled by the fiscal intermediary. During fiscal year 2009, UHHS received approximately $1.4 million in additional reimbursement due to these re-openings.

During FY 2009, UHHS received notification that Medicare had designated the Recovery Audit Contractor (RAC) for the region that includes the State of Mississippi, and audits could begin as early as August 1, 2009. The RAC program is intended to identify and recover improper Medicare payments made to health care providers as far back as October 1, 2007. While UHHS believe all claims submitted to Medicare are supported by the services provided, the RAC could make adjustments based on differing interpretation of the regulations. Based on the experience of providers in regions audited, and a review of the population of claims eligible for review, a reserve of approximately $9.2 million was recorded at June 30, 2009 for potential claims adjustments.

During fiscal year 2008, the Division of Medicaid (DOM) notified all providers in the State of Mississippi of a change in the methodology used to reimburse outpatient services. DOM had adopted a payment methodology for outpatient services at a fixed cost to charge ratio that was increased each year by an inflationary index. In December 2007, DOM issued letters to all providers of an updated reimbursement percentage based on more current cost data. They also stated they intend to apply the revised methodology back to October 1, 2005. As a result of this change, UHHS recorded a reserve in the amount of $12.7 million as of June 30, 2008 as an estimate of potential claims adjustments to be made by DOM. During FY 2009, UHHS repaid $10.9 million to DOM for these claims adjustments. Additionally, in FY 2009, UHHS recorded an additional reserve in the amount of $14 million for rate recalculations and other adjustments for other fiscal years.

Variable Rate Bond Refunding - The Series 2008A and 2008B refunding bonds are variable rate bonds hedged by an interest rate swap. The Series 2008A and 2008B bond issues are demand revenue bonds, subject to purchase on demand of the holder at a price equal to principal plus accrued interest. The Corporation has agreements in place for each demand bond issue, with a remarketing agent to sell any repurchased bonds. If the remarketing agent is unable to sell repurchased bonds, the Corporation has standby purchase take-out agreements in place guaranteeing liquidity to repurchase the bonds. The Corporation is required to pay an annual standby purchase liquidity agreement fee the daily amount of available commitment (outstanding principal and interest commitment). Both current standby purchase liquidity agreements expire, subject to extension October 14, 2009. The Corporation has acquired an extension commitment for the liquidity agreement until December 31, 2009 at a substantial increase in cost. Market conditions have decreased availability and increased cost of guaranteed liquidity agreements. In addition, the swap agreements expire in 2014, exposing the Corporation to interest rate risk after 2014. Current market conditions make it attractive to refund these variable rate bond issues and eliminate the accompanying interest rate risk associated with variable rate issues. Market conditions also support refunding the callable bonds of the Series 1998A and 1998B issues at a lower interest rate. The Corporation is moving forward with issuing fixed rate bonds to refund the Series 2008A and 2008B issues and callable bonds of the Series 1998A and 1998B issues. This refunding is scheduled to occur in October or November of 2009. The refunding is to reduce debt costs alone and there are no new construction projects associated with the anticipated refunding.