

Financial Report

June 30, 2020



*The University of Mississippi
Medical Center • Jackson*

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The University of Mississippi Medical Center (“the Medical Center”) presents financial statements for fiscal year 2020 with fiscal years 2019 and 2018 presented for comparison. Management’s discussion and analysis provides an overview of the Medical Center’s financial activities.

The Medical Center Educational Building Corporation (the Corporation) is a nonprofit corporation and 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 the acquisition, construction, and equipping of facilities and land for the Medical Center. The Corporation operates on a June 30 fiscal year-end for financial and tax reporting purposes.

The Corporation is a blended component unit of the Medical Center in accordance with Governmental Accounting Standards Board Statement Number 39. Therefore, the financial statements of the Medical Center include the Corporation.

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

The Medical Center

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

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

These three missions – education, research, and healthcare – intertwine to provide the best possible education for the state’s brightest students as well as cutting-edge health services for patients.

Statement of Net Position

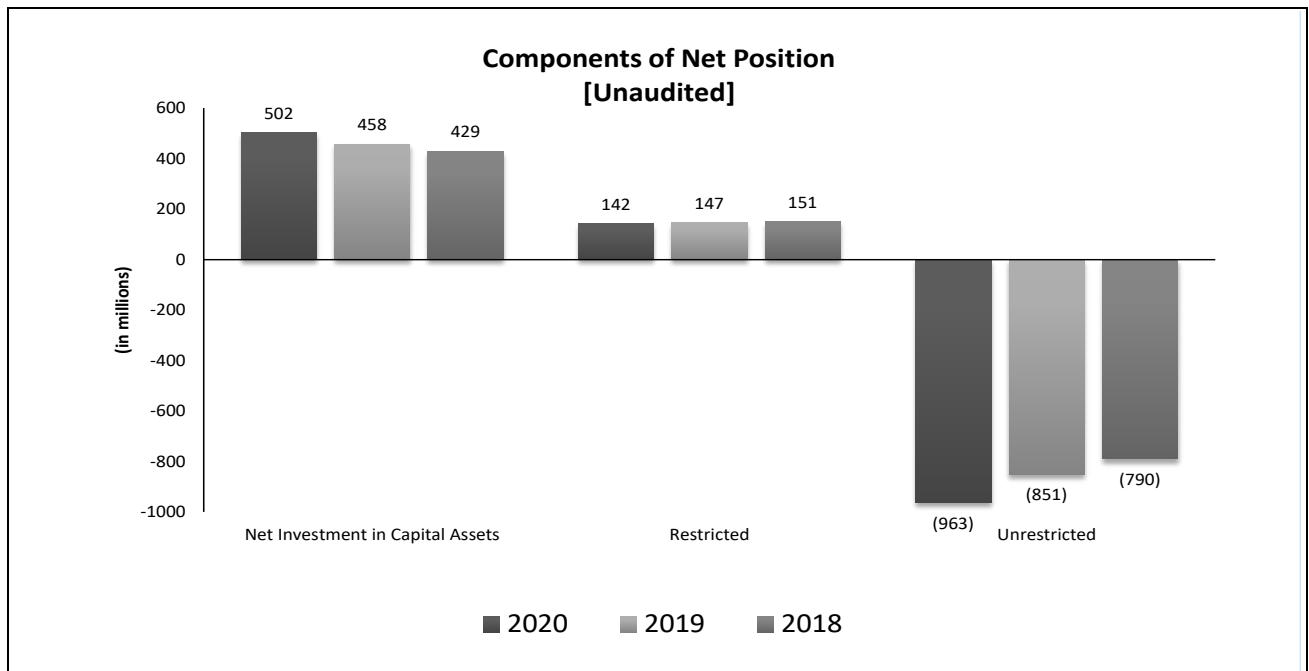
The Statement of Net Position presents the assets, liabilities, and net position components of the Medical Center using the accrual basis of accounting. The Statement of Net Position is a point in time financial statement. The Statement of Net Position presents end-of-year data concerning Assets (current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

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

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

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

The following graph illustrates the comparative change in net position by category for fiscal years 2020, 2019 and 2018:



Statement of Net Position (continued)

Statement of Net Position (in thousands)			
	[Unaudited]		
	2020	2019	2018
Assets and Deferred Outflows			
Current Assets	\$ 725,232	\$ 588,466	\$ 599,483
Capital Assets, Net	851,429	759,985	687,314
Other Assets	211,762	279,255	320,214
Deferred Outflows of Resources	<u>167,766</u>	<u>113,881</u>	<u>152,253</u>
Total Assets and Deferred Outflows	<u>1,956,189</u>	<u>1,741,587</u>	<u>1,759,264</u>
Liabilities and Deferred Inflows			
Current Liabilities	374,413	215,879	217,023
Noncurrent Liabilities	1,844,200	1,702,517	1,689,225
Deferred Inflows of Resources	<u>56,593</u>	<u>69,419</u>	<u>63,020</u>
Total Liabilities and Deferred Inflows	<u>2,275,206</u>	<u>1,987,815</u>	<u>1,969,268</u>
Net Position			
Net Investment in Capital Assets	502,303	458,707	429,555
Restricted - Expendable	113,619	118,454	124,285
Restricted - Nonexpendable	28,796	28,451	26,738
Unrestricted	<u>(963,735)</u>	<u>(851,840)</u>	<u>(790,582)</u>
Total Net Position	<u>\$ (319,017)</u>	<u>\$ (246,228)</u>	<u>\$ (210,004)</u>

At June 30, 2020 current assets totaled \$725.2 million consisting primarily of cash and cash equivalents, short term investments and net receivables. Current assets increased 23.2% (\$136.8 million) from 2019. Cash, cash equivalents, and short-term investments constituted approximately 64.3% of current assets as of June 30, 2020 while accounts receivables constituted approximately 28.9% of current assets. Approximately 82.6% of these receivables were related to patient care receivables.

At June 30, 2019 current assets totaled \$588.5 million consisting primarily of cash and cash equivalents, short term investments and net receivables. Current assets decreased 1.8% (\$11.0 million) from 2018. Cash, cash equivalents, and short-term investments constituted approximately 55.4% of current assets as of June 30, 2019 while accounts receivables constituted approximately 36.8% of current assets. Approximately 85.3% of these receivables were related to patient care receivables.

Capital assets, net of accumulated depreciation, increased by \$91.4 million from 2019 and \$72.7 million from 2018. Additional detail on capital assets can be found in Note 5 of the *Notes to the Financial Statements*.

Statement of Net Position (continued)

At June 30, 2020 current liabilities equaled \$374.4 million consisting primarily of accounts payable and accrued liabilities, and other current liabilities. Other current liabilities include amounts due to third party payors. Current liabilities increased 73.4% (\$158.5 million) from 2019. Accounts payable and accrued liabilities increased \$23.7 million and other current liabilities increased \$116.2 million.

At June 30, 2019 current liabilities equaled \$215.9 million consisting primarily of accounts payable and accrued liabilities, and other current liabilities. Other current liabilities include amounts due to third party payors. Current liabilities decreased 0.5% (\$1.1 million) from 2018. Accounts payable and accrued liabilities decreased \$3.1 million and other current liabilities increased \$2.2 million.

The Medical Center implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. The Medical Center also implemented both *GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB No. 81, *Irrevocable Split-Interest Agreements*, during fiscal year 2018. As a result, deferred outflows of resources of \$167.8 million, \$113.9 million, and \$152.3 million has been recorded for 2020, 2019 and 2018. Deferred inflows of resources of \$56.6 million, \$69.4 million and \$63.0 million has been recorded for 2020, 2019 and 2018. Net pension liability (classified as a noncurrent liability) of \$1.360 billion, \$1.232 billion, and \$1.213 billion has been recorded for 2020, 2019 and 2018. Net other postemployment benefits (OPEB) liability (classified as a noncurrent liability) of \$64.5 million and \$56.8 million and \$57.7 million has been recorded for 2020, 2019 and 2018.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end (June 30th). At June 30, 2020 noncurrent liabilities increased 8.3% (\$141.7 million) from 2019. The increase was due to combined increases in net pension liability (\$127.8 million) and net OPEB liability (\$7.7 million). At June 30, 2019 noncurrent liabilities increased 0.8% (\$13.3 million) from 2018. The increase was due to a combination of a decrease in long term bonded debt (\$7.1 million) and an increase in net pension liability (\$19.4 million).

The consumption of assets follows the Medical Center's policy to use available resources to meet the goals of the institution in the areas of instruction, research, patient care and public service. At June 30, 2020, the total assets of the Medical Center increased \$160.7 million from 2019 and increased \$20.7 million from 2018. Total liabilities increased \$300.2 million from 2019 and increased \$12.1 million from 2018. Due to recording net pension and OPEB liabilities, unrestricted net position decreased \$111.9 million from 2019 and decreased \$61.3 million from 2018.

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Statement of Revenues, Expenses and Changes in Net Position (in thousands)			
[Unaudited]			
	2020	2019	2018
Operating Revenues	\$ 1,375,060	\$ 1,322,536	\$ 1,252,510
Operating Expenses	<u>1,664,199</u>	<u>1,549,341</u>	<u>1,517,051</u>
Operating Loss	(289,139)	(226,805)	(264,541)
Net Nonoperating Revenues and Expenses	<u>193,292</u>	<u>166,419</u>	<u>165,368</u>
Income Before Other Revenues, Expenses, Gains or Losses	(95,847)	(60,386)	(99,173)
Other Revenues, Expenses, Gains or Losses	<u>23,058</u>	<u>24,162</u>	<u>11,561</u>
Change in Net Position	<u>(72,789)</u>	<u>(36,224)</u>	<u>(87,612)</u>
Net Position, beginning of year	<u>(246,228)</u>	<u>(210,004)</u>	<u>(122,392)</u>
Net Position, end of year	<u>\$ (319,017)</u>	<u>\$ (246,228)</u>	<u>\$ (210,004)</u>

The largest sources of operating revenues were from patient care, and grants and contracts. Net patient care revenues totaled \$1.198 billion, \$1.176 billion, and \$1.097 billion an increase of 1.8% from 2019 to 2020 and increase of 7.2% from 2018 to 2019, respectively.

The Medical Center receives grant and contract revenue from federal, state, and private agencies. Grant and contract revenue totaled \$79.0 million, \$72.0 million, and \$64.3 million, an increase of 9.9% from 2019 to 2020 and an increase of 11.9% from 2018 to 2019.

Tuition and fees, net of scholarship allowances, totaled \$35.1 million, \$32.5 million and \$31.0 million, an increase of 8.1% and 4.9% from 2019 to 2020 and 2018 to 2019. This increase was due to tuition increases and increases in medical student class size to more adequately serve the needs of the state.

The largest category of operating expenses is salaries, wages and fringe benefits, representing 65.0%, 65.3%, and 66.4% for the years ending June 30, 2020, 2019 and 2018. Salaries, wages and fringe benefits totaled \$1.082 billion, \$1.011 billion and \$1.008 billion, an increase of 7.0% and 0.5% from 2019 to 2020 and 2018 to 2019. Significant variances were volume increases and service mix changes, changes in the net GASB 68 pension expense adjustment, and an increase in the required Public Employee's Retirement System of Mississippi (PERS) employer contribution rate from 15.75% to 17.40%.

The Medical Center relies on funding from state appropriations. The Medical Center recognized state educational appropriations from the State of Mississippi totaling \$172.6 million, \$158.5 million, and \$157.9 million which is included as nonoperating revenue in 2020, 2019, and 2018. The Medical Center also recognized capital appropriations from the State of Mississippi totaling \$15.6 million, \$17.4 million and \$7.4 million, which is included as a component of other revenues, expenses, gains, or losses in 2020, 2019 and 2018.

Statement of Cash Flows

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

Cash Flows for the Years ended June 30, (in thousands)			
[Unaudited]			
	2020	2019	2018
Cash provided (used) by:			
Operating Activities	\$ (16,714)	\$ (155,483)	\$ (95,378)
Noncapital financing activities	210,874	167,775	166,212
Capital and related financing activities	(117,744)	(119,239)	29,866
Investing activities	<u>19,666</u>	<u>91,784</u>	<u>(76,696)</u>
Net Change in Cash	96,082	(15,163)	24,004
Cash and cash equivalents, beginning of the year	<u>333,343</u>	<u>348,506</u>	<u>324,502</u>
Cash and cash equivalents, end of the year	<u>\$ 429,425</u>	<u>\$ 333,343</u>	<u>\$ 348,506</u>

The condensed statements illustrate the composition of cash sources and uses of funds for fiscal years 2020, 2019 and 2018. The Medical Center used \$16.7 million, \$155.5 million, and \$95.4 million of cash for operating activities, offset by \$210.9 million, \$167.8 million and \$166.2 million of cash provided by noncapital financing activities in 2020, 2019 and 2018, respectively. Noncapital financing activities include state educational appropriations and gifts received for other than capital purposes that are used to support operating expenses.

Cash of \$(117.7) million, \$(119.2) million and \$29.9 million in 2020, 2019 and 2018, respectively, was provided/(used) for capital and related financing activities, primarily purchases of capital assets and principal and interest payments on long-term debt, partially offset by sources that included grants and contracts for capital purposes. In 2018 the Medical Center received \$163.5 million in bond proceeds to finance construction of the Batson Children's Hospital expansion and refunded \$66.6 million in existing bonded debt. Cash provided/(used) in investing activities totaled \$19.7 million, \$91.8 million and \$(76.7) million in 2020, 2019 and 2018, respectively.

Long-Term Liability and Debt Activities

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

The Medical Center has continued to make significant investments in capital assets. The total bonded debt of the Medical Center decreased by \$1.9 million from 2018 to 2020. Additional detail on bonded debt can be found in Note 9 of the *Notes to the Financial Statements*.

Financial Highlights

Operating revenues have increased from \$1.253 billion in 2018 to \$1.323 billion in 2019 to \$1.375 billion in 2020. This represents an increase of operating revenues of \$122.5 million over a three year period. Patient care revenues represent the majority of the increase. Total operating expenses have increased from \$1.517 billion in 2018 to \$1.549 billion in 2019 to \$1.664 billion in 2020. This represents an increase of operating expenses of \$147.1 million since 2018.

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

On June 1, 2012, the Medical Center transitioned to a new electronic health record system (Epic). The Epic system promotes efficient and effective clinical care in day-to-day operations, research and teaching. The system impacts every aspect of the clinical and patient experience from admission and registration, through all clinical interaction, discharge and billing.

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

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

Economic Outlook

UMMC has strong state government support for ongoing educational activities in the multiple professional and health-related graduate schools operated by UMMC. For example, special State funds were awarded to fund the construction of a new, state-of-the-art School of Medicine building. The Medical Center receives approximately 11% of revenues from state appropriations. This percentage has decreased slightly over the years due to both a growth in other revenue sources and a decrease in state appropriations. Although a small percentage of our overall revenue, state appropriations are devoted primarily to, and are critical for, our academic mission which focuses on training future providers and professionals who will provide health care to all Mississippians.

Economic Outlook (continued)

The COVID-19 pandemic had a negative financial impact on the state's tax revenue in fiscal year 2020, however, substantial state reserves allowed the Medical Center to avoid cuts in state appropriated revenue in fiscal year 2020 and to receive only a 3% cut in anticipated fiscal year 2021 state revenue. Tax collections for Mississippi in 2021 are above projections but remain subject to unpredictability due to the ongoing pandemic. Future unknowns about the duration of the virus and its continued impact and also the delivery of viable vaccine pose uncertainty in the near future for all healthcare providers, including the Medical Center. To that end, Medical Center management will continue to focus building and maintaining reserves through maximizing payer contractual agreements, minimizing erosion in payer mix, cost management and containment, minimal capital investment beyond maintenance, repair and clinical and educational necessities. Additionally, historically low costs of capital in the bond markets has allowed the institution to refinance existing debt to improve cash reserves with no increase in long term debt service cost.

The majority of the Medical Center's revenues come from the Health System. It is critical for the Medical Center to provide the highest quality and most efficient patient care possible. Costs for medical equipment, pharmaceuticals, and medical supplies continue to grow. Unexpected financial events such as COVID-19, as well as a challenging payer mix and high level of patient acuity have been and will continue to be a challenge. Hospital and clinical volumes declined during the pandemic due to State-mandated closures and patient reluctance to move forward with elective procedures. Case management policies and external relationships with other hospitals and long term acute care (LTACs) facilities will play an important role in maintaining capacity.

The Medical Center implemented a COVID-19 financial recovery plan that will offset the negative impact of the virus on the Medical Center's balance sheet within a two year timeframe. This plan consists of multiple spending controls that have already been implemented. Financial assistance from state and federal sources during the pandemic have partially offset patient care losses however these sources of funds should be considered finite. Strategies are being developed for growth through ambulatory expansion into local areas with improved payer mixes, external affiliations with providers and payers, and innovative revenue streams. Capital required for infrastructure growth and maintenance continues to require strategic planning and innovative thinking from institutional leadership.

Medical Center leadership continues to be successful in recruiting and retaining qualified faculty, staff, and trained medical personnel in a very competitive environment. A tight labor market remains for physician specialists and health care workers in nursing and technical areas.

The number of student applications remains strong for all programs. A new School of Population Health was established in 2016 and is housed in the new Translational Research Building constructed in 2017. Strategic expansion of the medical school class size from 125 to 165 students was finalized in 2018 and a new state of the art School of Medicine building funded by the state opened in 2017. The seven story Kathy and Joe Sanderson Tower at the Children's of Mississippi Hospital opened in 2020 and more than doubles the square footage at the state's only children's hospital. Research dollars are growing and this trend is anticipated to continue. The Medical Center is participating in multiple clinical trials related to COVID-19 vaccines. Important affiliations with the Mayo Clinic and Vanderbilt University are expected to economically benefit the research and clinical missions of the Medical Center.

Medical Center management, faculty, and staff remain committed to improving the health status of all Mississippians through the institution's three missions of education, research, and clinical care. Even while facing the routine challenges and uncertainties of the health care industry, a national pandemic, and growing capital and labor costs, Medical Center management believes its investment in information technology and strategic financial planning for targeted growth and cost containment continues to position the Medical Center for success.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF NET POSITION
[Unaudited]

		June 30	
		2020	2019
Assets and Deferred Outflows			
Current Assets:			
Cash and Cash Equivalents (note # 2)	\$	385,909,566	\$ 240,441,103
Short Term Investments (note # 2)		80,732,992	85,399,855
Accounts Receivable, Net (note # 3)		209,780,837	216,727,885
Student Notes Receivable, Net (note # 4)		1,622,850	566,795
Inventories		29,743,614	32,166,606
Prepaid Expenses		10,160,730	12,636,410
Other Current Assets		7,281,886	527,943
Total Current Assets		725,232,475	588,466,597
Noncurrent Assets:			
Restricted Cash and Cash Equivalents (note # 2)		43,515,076	92,902,182
Restricted Short Term Investments (note # 2)		-	5,783,278
Endowment Investments (note # 2)		86,840,113	93,574,151
Other Long Term Investments (note # 2)		37,841,038	41,593,098
Accounts Receivable, Net (note # 3)		3,137,761	3,764,065
Student Notes Receivable, net (note # 4)		4,494,665	6,693,503
Beneficial Interest in Irrevocable Trusts		35,933,062	34,944,417
Capital Assets, Net (note # 5)		851,429,010	759,984,856
Total Noncurrent Assets		1,063,190,725	1,039,239,550
Total Assets		1,788,423,200	1,627,706,147
Deferred Outflows of Resources (note # 6)			
		167,765,603	113,880,882
Total Assets and Deferred Outflows of Resources		\$ 1,956,188,803	\$ 1,741,587,029
Liabilities, Deferred Inflows and Net Position			
Current Liabilities:			
Accounts Payable and Accrued Liabilities (note # 7)	\$	149,777,313	\$ 126,103,143
Unearned Revenues (note # 8)		17,778,481	11,656,733
Accrued Leave Liabilities - Current Portion (note # 9)		16,010,226	5,650,073
Long Term Liabilities - Current Portion (note # 9)		14,621,502	12,430,232
Other Current Liabilities		176,225,170	60,039,092
Total Current Liabilities		374,412,692	215,879,273
Noncurrent Liabilities:			
Accrued Leave Liabilities (note # 9)		61,424,909	54,026,357
Long Term Liabilities (note # 9)		354,725,369	355,255,397
Net Pension Liability (note # 13)		1,360,163,256	1,232,363,510
Net OPEB Liability (note # 14)		64,529,186	56,789,549
Other Non-Current Liabilities (note # 9)		3,357,965	4,081,791
Total Noncurrent Liabilities		1,844,200,685	1,702,516,604
Total Liabilities		2,218,613,377	1,918,395,877
Deferred Inflows of Resources (note # 15)			
		56,592,821	69,419,325
Total Liabilities and Deferred Inflows of Resources		\$ 2,275,206,198	\$ 1,987,815,202
Net Position:			
Net Investment in Capital Assets		502,303,067	458,707,280
Restricted for:			
Nonexpendable -			
Other Purposes		28,796,098	28,451,329
Expendable -			
Scholarships and Fellowships		1,920,504	2,288,343
Research		30,237,565	29,112,643
Debt Service		871,896	965,580
Loans		6,975,250	7,676,230
Other Purposes		73,613,489	78,411,181
Unrestricted		(963,735,264)	(851,840,759)
Total Net Position		\$ (319,017,395)	\$ (246,228,173)

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
[Unaudited]

	June 30	
	2020	2019
Operating Revenues:		
Tuition and Fees	\$ 40,856,117	\$ 37,966,160
Less: Scholarship Allowances	(5,728,187)	(5,446,188)
Less: Bad Debt Expense	(26,229)	(39,873)
Net Tuition and Fees	35,101,701	32,480,099
Federal Grants and Contracts	59,452,892	56,542,582
State Grants and Contracts	6,887,910	6,394,485
Nongovernmental Grants and Contracts	12,709,023	9,019,428
Sales and Services of Educational Departments	768,097	-
Auxiliary Enterprises:		
Bookstore	2,165,603	2,348,699
Other Auxiliary revenues	635,157	643,824
Interest Earned on Loans to Students	302,885	318,339
Patient Care Revenues, Net	1,197,526,479	1,176,072,282
Other Operating Revenues	59,510,544	38,715,753
Total Operating Revenues	1,375,060,291	1,322,535,491
Operating Expenses:		
Salaries and Wages	794,079,149	755,414,438
Fringe Benefits	218,770,419	194,233,570
Net GASB 68 Pension Expense Adjustment	67,237,973	61,533,151
OPEB Expense	1,537,292	83,587
Travel	3,464,581	5,298,770
Contractual Services	194,082,168	191,205,838
Utilities	13,659,785	13,499,287
Scholarships and Fellowships	5,636,891	5,497,285
Commodities	318,822,831	276,390,823
Depreciation	46,591,645	45,882,651
Other Operating Expenses	316,991	301,409
Total Operating Expenses	1,664,199,725	1,549,340,809
Operating Loss	(289,139,434)	(226,805,318)
Nonoperating Revenues (Expenses):		
State Appropriations	172,614,750	158,489,701
Gifts and Grants	31,404,819	8,582,565
Investment Income (Loss), Net of Investment Expense	(1,913,725)	11,987,772
Interest Expense on Capital Asset-Related Debt	(8,485,849)	(12,640,320)
Other Nonoperating Expenses	(327,575)	-
Total Nonoperating Revenues (Expenses), Net	193,292,420	166,419,718
Income Before Other Revenues, Expenses, Gains and Losses	(95,847,014)	(60,385,600)
Capital Grants and Gifts	7,873,249	6,234,853
State Appropriations Restricted for Capital Purposes	15,649,301	17,440,825
Additions to Permanent Endowments	44,769	1,355,634
Other Deletions	(509,527)	(869,689)
Change in Net Position	(72,789,222)	(36,223,977)
Net Position		
Net Position - Beginning of Year	(246,228,173)	(210,004,196)
Net Position - End of Year	\$ (319,017,395)	\$ (246,228,173)

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
Statement of Cash Flows
[Unaudited]

	June 30	
	2020	2019
Operating activities:		
Tuition and fees	\$ 35,691,711	\$ 31,930,380
Grants and contracts	73,849,763	67,431,992
Sales and services of educational departments	768,097	89,500
Payments to suppliers	(481,253,319)	(481,588,816)
Payments to employees for salaries and benefits	(1,007,002,889)	(946,631,328)
Payments for utilities	(13,659,785)	(13,499,287)
Payments for scholarships and fellowships	(5,678,245)	(4,552,757)
Loans issued to students	(671,591)	(557,681)
Collection of loans to students	2,494,864	2,358,981
Auxiliary enterprise charges:		
Bookstore	951,257	2,302,680
Other auxiliary enterprises	635,157	645,818
Patient care services	1,318,711,122	1,145,976,158
Interest earned on loans to students	302,885	318,339
Other receipts	58,454,539	40,594,595
Other payments	(308,217)	(301,409)
Net cash used in operating activities	(16,714,651)	(155,482,835)
Noncapital financing activities:		
State appropriations	172,118,254	158,466,957
Gifts and grants for other than capital purposes	39,435,990	8,582,565
Private gifts for endowment purposes	44,769	1,355,634
Federal loan program receipts	41,154,145	38,751,647
Federal loan program disbursements	(41,154,145)	(38,751,647)
Other sources	-	-
Other uses	(725,066)	(629,964)
Net cash provided by noncapital financing activities	210,873,947	167,775,192
Capital and related financing activities:		
Proceeds from capital debt	38,888,072	-
Cash paid for capital assets	(130,468,346)	(116,747,525)
Capital Appropriations Received	13,810,368	12,000,000
Capital grants and contracts received	7,819,774	6,198,573
Proceeds from sales of capital assets	53,839	3,560
Principal paid on capital debt	(32,305,000)	(6,145,000)
Interest paid on capital debt	(15,215,096)	(14,548,969)
Other source (uses)	(327,575)	-
Net cash used in capital and related financing activities	(117,743,964)	(119,239,361)
Investing activities:		
Proceeds from sales and maturities of investments	192,119,414	154,089,661
Interest received on investments	7,850,134	10,641,702
Purchases of investments	(180,303,523)	(72,946,620)
Net cash provided by investing activities	19,666,025	91,784,743
Net change in cash and cash equivalents	96,081,357	(15,162,261)
Cash and cash equivalents - beginning of year	333,343,285	348,505,546
Cash and cash equivalents - end of year	\$ 429,424,642	\$ 333,343,285

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
Statement of Cash Flows
[Unaudited]

	June 30	
	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating Loss	\$ (289,139,434)	\$ (226,805,318)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	46,591,645	45,882,651
Self-insured claims expense	2,995,584	4,718,711
Bad debt expense	175,921,378	173,606,282
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	(167,819,974)	(207,420,410)
Loans to students	958,100	1,262,092
Inventories	2,422,992	(3,064,731)
Prepaid expenses	2,578,493	(5,978,155)
Deferred outflows of resources	(52,927,529)	38,093,707
Other assets	(6,753,943)	(12,943)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	17,650,553	1,517,638
Unearned revenues	(1,909,423)	(897,034)
Accrued leave liability	17,758,705	2,575,136
Net OPEB Liability	7,739,637	(874,162)
Net pension liability	127,799,746	19,392,594
Deferred inflows of resources	(13,815,149)	5,047,479
Other liabilities	113,233,968	(2,526,372)
Total adjustments:	272,424,783	71,322,483
Net cash used in operating activities	\$ (16,714,651)	\$ (155,482,835)
Reconciliation of cash and cash equivalents:		
Current Assets - cash and cash equivalents	\$ 385,909,566	\$ 240,441,103
Noncurrent assets - cash and cash equivalents	43,515,076	92,902,182
Cash and cash equivalents - end of year	429,424,642	333,343,285
Noncash Transactions		
1.) Unrealized gain/(loss) on fair value of investments	\$ (9,120,348)	\$ 1,242,113
2.) Bureau of Buildings and Grounds - construction in progress and buildings	1,304,290	5,440,825
3.) Donation of capital assets	53,475	36,280

See accompanying notes to financial statements.

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 Medical Center is a member of the State of Mississippi of Institutions of Higher Learning.

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 three current Supreme Court districts for terms of nine years.

The Medical Center’s financial statements include the accounts of the University of Mississippi Medical Center Educational Building Corporation (MCEBC), an educational building corporation and a nonprofit corporation incorporated in the State of Mississippi established 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 (GASB) No. 61, *The Financial Reporting Entity: Omnibus*, this educational building corporation is deemed to be a material component unit of the Medical Center and is reported as a blended component unit. See Note 16 for detailed MCEBC activities.

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 U.S. generally accepted accounting principles as prescribed by the GASB. The Medical Center’s financial statements follow the “business-type activities” reporting which provides a comprehensive one-look at the Medical Center’s financial activities.

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

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

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 expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates also include the determination of allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements, included as other current assets and as other current liabilities, relating to the Medical Center's patient services. In addition, laws and regulations governing the 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 non-current 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, 2020 and 2019 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.

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.

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

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

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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.

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

The Medical Center has deferred outflows of resources. The deferred outflows of resources are consumption of net assets by the Medical Center that are applicable to a future reporting period and in the unamortized amounts for losses on the refunding of bond debt and pension and OPEB related deferred outflows.

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

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

Compensated Absences/Accrued Leave – Twelve-month employees earn and accrue 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 fifteen years of service; and 18 hours per month for fifteen years of service or more. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, employees are paid for up to 240 hours of accumulated annual leave.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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, investment income, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. Examples of non-operating expenses include interest on capital asset related debt and bond expenses.

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.

Auxiliary enterprises include bookstore, student union, and vending operations. The general public may be served incidentally by auxiliary enterprises.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Patient Care Revenues (continued) – Revenue from the Medicare and Medicaid programs accounted for approximately 30.0% and 27.7%, respectively, of the Medical Center's net patient service revenues for the year ended June 30, 2020, and approximately 29.7% and 30.7%, respectively, for the year ended June 30, 2019. 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.

Hospital Reimbursement – The University of Mississippi Medical Center – Health System (UMMC – Health System) Medicare cost reports have been audited and settled by the fiscal intermediary through the cost reports filed for the year ended June 30, 2013 for the Jackson Campus, for the year ended June 30, 2018 for Holmes County Hospital, and for the year ended June 30, 2017 for UMMC Grenada.

Over eight years ago, 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. At that time, 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, UMMC – Health System recorded a reserve in the amount of \$12.7 million as of June 30, 2008, as an estimate of potential outpatient claims adjustments to be made by DOM. Other reserves have been established each fiscal year for anticipated adjustments to estimated versus final payment rates for both inpatient and outpatient services. Since that time UMMC – Health System has repaid approximately \$25.2 million through FY 2020 to DOM for these and other claims adjustments. UMMC – Health System maintains a reserve of approximately \$45.4 million for Medicaid rate recalculations, Medicaid DSH audits, and other adjustments for prior fiscal years.

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

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 scholarship allowances, which reduce operating revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash.

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

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

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

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

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

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

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

Note 2 – Cash and Investments

Policies

Cash, Cash Equivalents and Short-term Investments – Investment policies as set forth by the IHL Board 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 held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by State statute (Section 27-105-5, MS Code Ann. 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 policies at the Medical Center are governed by State statute (Section 27-105-33, Mississippi Code Annotated, 1972) and the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Mississippi in 2012. Under UPMIFA, the Medical Center may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes and duration for which the particular endowment fund was established, subject to evaluation of several specific factors including general economic conditions and the fund's purpose. The Medical Center has adopted investment and spending policies for endowments as recommended by the University's Joint Committee on Investments. Substantially all investments are reported at fair value.

A summary of cash and investments as of June 30, 2020 and 2019 is as follows:

Investment Type	2020	2019
Cash	385,909,566	240,441,103
Restricted cash and cash equivalents	43,515,076	92,902,182
U.S. Treasury securities	19,546,357	88,629,404
U.S. government agency securities	72,717,516	23,765,293
Commercial mortgage backed securities	1,610,135	909,786
Collateralized mortgage obligations	7,124,996	8,442,688
Municipal bonds	6,409,118	7,582,903
Fixed income mutual funds	6,083,136	5,411,550
Certificates of deposit	51,745	51,292
Equity long/short hedge funds	47,088,776	50,926,319
Private capital	21,645,963	23,721,575
Miscellaneous	23,136,401	16,909,572
	<u>\$ 634,838,785</u>	<u>\$ 559,693,667</u>

Note 2 – Cash and Investments (continued)

Custodial Credit Risk

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 as of June 30, 2020.

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. As of June 30, 2020 and 2019, the Medical Center had the following investments subject to interest rate risk:

Investment Type	2020				
	Fair value	Years to maturity			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. treasury securities	\$ 19,546,357	\$ 19,546,357	\$ -	\$ -	\$ -
U.S. government agency obligations	72,717,516	61,850,424	4,997,992	-	5,869,100
Commercial mortgage backed securities	1,610,135	999,670	1,418	-	609,047
Collateralized mortgage obligations	7,124,996	-	352,013	601,286	6,171,697
Certificates of deposit	51,745	51,745	-	-	-
Municipal obligations	6,409,118	2,925,266	1,544,510	1,939,342	-
Fixed Income Mutual Funds	6,083,136	-	61,965	6,014,334	6,837
Total	<u>\$ 113,543,003</u>	<u>\$ 85,373,462</u>	<u>\$ 6,957,898</u>	<u>\$ 8,554,962</u>	<u>\$ 12,656,681</u>

Investment Type	2019				
	Fair value	Years to maturity			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. treasury securities	\$ 88,629,404	83,603,232	\$ 5,026,172	\$ -	\$ -
U.S. government agency obligations	23,765,293	4,786,581	15,436,574	-	3,542,138
Commercial mortgage backed securities	909,786	-	-	-	909,786
Collateralized mortgage obligations	8,442,688	-	468,457	752,574	7,221,657
Certificates of deposit	51,292	51,292	-	-	-
Municipal obligations	7,582,903	314,568	5,393,357	1,874,978	-
Fixed income mutual funds	5,411,550	-	45,422	5,360,959	5,169
Total	<u>\$ 134,792,916</u>	<u>\$ 88,755,673</u>	<u>\$ 26,369,982</u>	<u>\$ 7,988,511</u>	<u>\$ 11,678,750</u>

Note 2 – Cash and Investments (continued)

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2020 and 2019, the Medical Center had the following investments in credit risk:

	<u>2020</u>	<u>2019</u>
Aaa	\$ 28,154,341	\$ 15,267,808
Aa2	6,409,118	7,582,903
Not Rated or unavailable	59,381,442	23,261,509
Total	<u>\$ 93,944,901</u>	<u>\$ 46,112,220</u>

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

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. As of June 30, 2020 and 2019, the Medical Center had the following issuers holding investments that exceeded 5% of total investments:

<u>Issuer</u>	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>% of Total Investments</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	\$ 30,130,053	14.67%	\$ -	0.00%
Federal Farm Credit Bank notes	15,135,000	7.37%	-	0.00%
US Treasury securities	-	0.00%	68,386,496	30.21%
Various (no single issuer exceeds 5% of total)	160,149,090	77.96%	157,963,886	69.79%
Total	<u>\$ 205,414,143</u>	<u>100%</u>	<u>\$ 226,350,382</u>	<u>100%</u>

Foreign Currency Risk

Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in exchange rates will adversely affect the fair value of an investment. The Medical Center investment policy requires diversification with respect to currency and country exposure. The Medical Center exposure to foreign currency risk, for the fiscal year ending June 30, 2020 and 2019 was \$8,486,795 and \$9,573,340, respectively.

Fair Value Measurement

GASB No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories—Level 1, Level 2, and Level 3 inputs—considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Note 2 – Cash and Investments (continued)

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

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. There are no investments classified in Level 3.

The following tables present the financial assets carried at fair value by level within the valuation hierarchy, as well as the assets measured at the net asset value (NAV) per share as a practical expedient as of June 30, 2020 and 2019:

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income investments:				
U.S. Treasury securities	\$ 19,546,357			\$ 19,546,357
Fixed income mutual funds	6,083,136			6,083,136
U.S. government securities		72,717,516		72,717,516
Mortgage obligations & asset backed securities		8,735,131		8,735,131
Certificates of deposit		51,745		51,745
Municipal bonds		6,409,118		6,409,118
Total fixed income investments	<u>25,629,493</u>	<u>87,913,510</u>	<u>-</u>	<u>113,543,003</u>
Investments measured at NAV as a practical expedient:				
Equity Long/Short Hedge Funds				47,088,776
Venture capital				21,645,963
Other miscellaneous investments				23,136,401
Total Investments measured at NAV				<u>91,871,140</u>
Total investments measured at fair value				<u>\$ 205,414,143</u>

Note 2 – Cash and Investments (continued)

	2019			Total
	Level 1	Level 2	Level 3	
Investment strategy:				
Fixed income investments:				
U.S. Treasury securities	\$ 88,629,404			\$ 88,629,404
Fixed income mutual funds	5,411,550			5,411,550
U.S. government securities		23,765,293		23,765,293
Mortgage obligations & asset backed securities		9,352,474		9,352,474
Certificates of deposit		51,292		51,292
Municipal bonds		7,582,903		7,582,903
Total fixed income investments	<u>94,040,954</u>	<u>40,751,962</u>	-	<u>134,792,916</u>
Investments measured at NAV as a practical expedient:				
Equity Long/Short Hedge Funds				50,926,319
Venture capital				23,721,575
Other miscellaneous investments				16,909,572
Total Investments measured at NAV				<u>91,557,466</u>
Total investments measured at fair value				<u>\$ 226,350,382</u>

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

Investment	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Equity long/short hedge funds	\$ 47,088,776	\$ -	Quarterly	75 Days
Private capital	21,645,963	6,231,317	Quarterly	75 Days
Other miscellaneous investments	<u>23,136,401</u>	-		
Total Investments Measured at NAV	<u>\$ 91,871,140</u>			
Investment	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Equity long/short hedge funds	\$ 50,926,319	\$ -	Quarterly	75 Days
Private capital	23,721,575	4,960,647	Quarterly	75 Days
Other miscellaneous investments	<u>16,909,572</u>	-		
Total Investments Measured at NAV	<u>\$ 91,557,466</u>			

Note 3 – Accounts Receivable

Accounts receivable consisted of the following at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Student Tuition	\$ 1,529,067	\$ 3,660,891
Auxiliary enterprises and other operating activities	5,620	93,889
Federal, state, and private grants and contracts	23,896,501	18,892,393
State Appropriations	574,007	424,977
Accrued interest	277,272	920,784
Patient Income	791,301,041	759,909,690
Other	13,455,480	10,088,951
	<u>831,038,988</u>	<u>793,991,575</u>
Less allowance for doubtful accounts	<u>(618,120,390)</u>	<u>(573,499,625)</u>
Net accounts receivable	<u>\$ 212,918,598</u>	<u>\$ 220,491,950</u>
Current Portion of Accounts Receivable	\$ 209,780,837	\$ 216,727,885
Non-Current Portion of Accounts Receivable	<u>3,137,761</u>	<u>3,764,065</u>
Net accounts receivable	<u>\$ 212,918,598</u>	<u>\$ 220,491,950</u>

Note 4 – Notes Receivable from Students

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the Medical Center. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the Medical Center at June 30, 2020 and 2019, respectively:

	<u>Interest Rates</u>	<u>2020</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Perkins student loans	5%	\$ 3,322,326	\$ 565,013	\$ 2,757,313
Nursing student loans	3% to 5%	794,295	274,765	519,530
Medical student loans	5%	173,760	34,909	138,851
Dental student loans	5%	335,825	110,466	225,359
Institutional loans	0% to 10%	4,450,045	818,014	3,632,031
Total notes receivable		<u>9,076,251</u>	<u>1,803,167</u>	<u>7,273,084</u>
Less allowance for doubtful accounts		<u>2,958,736</u>	<u>180,317</u>	<u>2,778,419</u>
Net notes receivable		<u>\$ 6,117,515</u>	<u>\$ 1,622,850</u>	<u>\$ 4,494,665</u>

Note 4 – Notes Receivable from Students (continued)

	<u>Interest Rates</u>	<u>2019</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Perkins student loans	5%	\$ 4,249,557	\$ 252,941	\$ 3,996,616
Nursing student loans	3% to 5%	740,217	85,630	654,587
Medical student loans	5%	144,153	12,027	132,126
Dental student loans	5%	302,989	27,774	275,215
Institutional loans	0% to 10%	4,597,435	251,400	4,346,035
Total notes receivable		<u>10,034,351</u>	<u>629,772</u>	<u>9,404,579</u>
Less allowance for doubtful accounts		<u>2,774,053</u>	<u>62,977</u>	<u>2,711,076</u>
Net notes receivable		<u>\$ 7,260,298</u>	<u>\$ 566,795</u>	<u>\$ 6,693,503</u>

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020 and 2019, respectively, is presented as follows:

	<u>06/30/2019</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>06/30/2020</u>
Nondepreciable Capital Assets:				
Land	\$ 9,423,441	\$ -	\$ -	\$ 9,423,441
Construction in Progress	99,336,509	112,770,793	30,438,139	181,669,163
Total Nondepreciable Capital Assets	<u>\$ 108,759,950</u>	<u>\$ 112,770,793</u>	<u>\$ 30,438,139</u>	<u>\$ 191,092,604</u>
Depreciable Capital Assets:				
Buildings	\$ 670,275,025	\$ 28,700,844	\$ -	\$ 698,975,869
Improvements other than Buildings	28,198,212	60,129	-	28,258,341
Equipment	447,575,113	23,421,374	18,257,445	452,739,042
Library Books	66,150,681	4,462,788	-	70,613,469
Total Depreciable Capital Assets	<u>\$ 1,212,199,031</u>	<u>\$ 56,645,135</u>	<u>\$ 18,257,445</u>	<u>\$ 1,250,586,721</u>
Total Capital Assets	<u>\$ 1,320,958,981</u>	<u>\$ 169,415,928</u>	<u>\$ 48,695,584</u>	<u>\$ 1,441,679,325</u>
Less Accumulated Depreciation for:				
Buildings	\$ 195,930,461	\$ 11,814,040	\$ -	\$ 207,744,501
Improvements other than Buildings	9,350,368	1,018,587	-	10,368,955
Equipment	305,135,432	30,457,921	17,315,455	318,277,898
Library Books	50,557,864	3,301,097	-	53,858,961
Total Accumulated Depreciation	<u>\$ 560,974,125</u>	<u>\$ 46,591,645</u>	<u>\$ 17,315,455</u>	<u>\$ 590,250,315</u>
Capital Assets, Net	<u>\$ 759,984,856</u>	<u>\$ 122,824,283</u>	<u>\$ 31,380,129</u>	<u>\$ 851,429,010</u>

Note 5 – Capital Assets (continued)

	<u>06/30/2018</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>06/30/2019</u>
Nondepreciable Capital Assets:				
Land	\$ 9,423,441	\$ -	\$ -	\$ 9,423,441
Construction in Progress	32,143,478	88,272,998	21,079,967	99,336,509
Total Nondepreciable Capital Assets	<u>\$ 41,566,919</u>	<u>\$ 88,272,998</u>	<u>\$ 21,079,967</u>	<u>\$ 108,759,950</u>
Depreciable Capital Assets:				
Buildings	\$ 657,196,744	\$ 13,078,281	\$ -	\$ 670,275,025
Improvements other than Buildings	26,439,886	1,758,326	-	28,198,212
Equipment	422,355,512	34,386,374	9,166,773	447,575,113
Library Books	61,805,756	4,353,642	8,717	66,150,681
Total Depreciable Capital Assets	<u>\$ 1,167,797,898</u>	<u>\$ 53,576,623</u>	<u>\$ 9,175,490</u>	<u>\$ 1,212,199,031</u>
Total Capital Assets	<u>\$ 1,209,364,817</u>	<u>\$ 141,849,621</u>	<u>\$ 30,255,457</u>	<u>\$ 1,320,958,981</u>
Less Accumulated Depreciation for:				
Buildings	\$ 184,473,215	\$ 11,457,246	\$ -	\$ 195,930,461
Improvements other than Buildings	8,371,464	978,904	-	9,350,368
Equipment	281,734,760	30,350,968	6,950,296	305,135,432
Library Books	47,471,048	3,095,533	8,717	50,557,864
Total Accumulated Depreciation	<u>\$ 522,050,487</u>	<u>\$ 45,882,651</u>	<u>\$ 6,959,013</u>	<u>\$ 560,974,125</u>
Capital Assets, Net	<u>\$ 687,314,330</u>	<u>\$ 95,966,970</u>	<u>\$ 23,296,444</u>	<u>\$ 759,984,856</u>

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

	<u>Estimated Useful Life</u>	<u>Salvage Value</u>	<u>Capitalization Threshold</u>
Buildings & Fixed Equipment	7-40 years	20%	\$ 50,000
Improvements other Than Buildings	20 years	20%	25,000
Equipment	3-25 years	0%	5,000
Software & Implementation Costs	3-10 years	0%	50,000
Library Books	10 years	0%	-

Note 6 – Deferred Outflows of Resources

Deferred outflows of resources as of June 30, 2020 and 2019, respectively, are as follows:

	<u>2020</u>	<u>2019</u>
Implementation of GASB 68 - Accounting and Reporting for Pensions:		
Difference between Expected and Actual Experience	\$ 804,641	\$ 5,402,611
Changes in Assumptions	13,335,141	727,061
Changes in Proportionate Share	50,499,628	22,290,772
Contributions Subsequent to the Measurement Date	88,706,272	78,391,851
Implementation of GASB 75 - Other Postemployment Benefits:		
Change in Proportion and Differences Between Employer OPEB Benefit Payments and Proportionate Share of OPEB Benefit Payments	1,971,657	170,414
Changes in Assumptions	4,810,818	-
Implicit rate subsidy	2,406,881	2,586,529
Difference Between Expected and Actual Experience	97,566	115,630
Difference between Projected and Actual Investment Earnings	1,233	-
Accumulated Deferred Amount of Debt Refunding	5,131,766	4,174,574
Acquisition of Grenada Radiology Imaging	-	21,440
	<u>\$ 167,765,603</u>	<u>\$ 113,880,882</u>

Note 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2020 and 2019, respectively, are as follows:

	<u>2020</u>	<u>2019</u>
Payable to vendors and contractors	\$ 85,920,521	\$ 71,728,250
Accrued salaries, wages and employee withholdings	62,443,609	53,085,317
Accrued Interest	1,413,183	1,289,576
	<u>\$ 149,777,313</u>	<u>\$ 126,103,143</u>

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

Note 8 – Unearned Revenues

Unearned revenues as of June 30, 2020 and 2019, respectively, are as follows:

	<u>2020</u>	<u>2019</u>
Unearned school revenue	\$ 5,187,438	\$ 7,101,961
Unearned grants and contracts revenue	12,585,943	4,554,772
Other unearned revenue	5,100	-
	<u>\$ 17,778,481</u>	<u>\$ 11,656,733</u>

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

Note 9 – Long-term Liabilities

Long-term liabilities of the Medical Center consist of notes and bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2020 and 2019, respectively. Other long-term liabilities and notes payable consist of accrued leave liabilities, net pension liability, net OPEB liability, Federal portion of Federal student loans and tort claims.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes at June 30, 2020 and 2019, respectively, is listed in the following schedules.

	Original Issue	Annual Interest Rate	Maturity	June 30, 2019	Additions	Deletions	June 30, 2020	Due Within One Year
Bonded Debt								
Series 1998B	\$ 41,075,000	3.88% to 5.90%	2024	\$ 17,785,000	\$ -	\$ 3,185,000	\$ 14,600,000	\$ 3,360,000
Series 2010A	24,870,000	5.92% to 6.69%	2032	24,870,000	-	24,870,000	-	-
Series 2010B	20,000,000	6.840%	2035	20,000,000	-	-	20,000,000	-
Series 2010C	5,130,000	2.50% to 5.00%	2020	605,000	-	605,000	-	-
Series 2012A	51,860,000	4.00% to 5.00%	2041	51,860,000	-	-	51,860,000	-
Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	-	-	53,390,000	-
Series 2017A	137,635,000	3.00% to 5.00%	2047	137,390,000	-	-	137,390,000	-
Series 2017B	12,345,000	2.45% to 3.10%	2024	12,345,000	-	2,760,000	9,585,000	2,830,000
Series 2019	24,380,000	5.00%	2035	-	24,380,000	885,000	23,495,000	450,000
Unamortized Premium				13,552,629	6,171,165	1,314,830	18,408,964	1,487,264
Total Bonded Debt				331,797,629	30,551,165	33,619,830	328,728,964	8,127,264
Note Payable								
University of Mississippi		2%	2025	-	8,336,907	-	8,336,907	1,553,238
Total Note Payable				-	8,336,907	-	8,336,907	1,553,238
Other Long-term Liabilities								
Accrued leave liabilities				59,676,430	17,758,705	-	77,435,135	16,010,226
Federal portion of Federal student loans				4,081,791	-	723,826	3,357,965	-
Tort claim liability				35,888,000	-	3,607,000	32,281,000	4,941,000
Net OPEB liability				56,789,549	7,739,637	-	64,529,186	-
Net pension liability				1,232,363,510	127,799,746	-	1,360,163,256	-
Total Other Long-term Liabilities				1,388,799,280	153,298,088	4,330,826	1,537,766,542	20,951,226
Total				\$ 1,720,596,909	\$ 192,186,160	\$ 37,950,656	\$ 1,874,832,413	\$ 30,631,728
Due within one year							30,631,728	
Total long-term liabilities							\$ 1,844,200,685	

	Original Issue	Annual Interest Rate	Maturity	June 30, 2018	Additions	Deletions	June 30, 2019	Due Within One Year
Bonded Debt								
Series 1998B	\$ 41,075,000	3.88% to 5.90%	2024	\$ 20,805,000	\$ -	\$ 3,020,000	\$ 17,785,000	\$ 3,185,000
Series 2009	105,605,000	2.00% to 5.00%	2034	2,550,000	-	2,550,000	-	-
Series 2010A	24,870,000	5.92% to 6.69%	2032	24,870,000	-	-	24,870,000	-
Series 2010B	20,000,000	6.840%	2035	20,000,000	-	-	20,000,000	-
Series 2010C	5,130,000	2.50% to 5.00%	2020	1,180,000	-	575,000	605,000	605,000
Series 2012A	51,860,000	4.00% to 5.00%	2041	51,860,000	-	-	51,860,000	-
Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	-	-	53,390,000	-
Series 2017A	137,635,000	3.00% to 5.00%	2047	137,390,000	-	-	137,390,000	-
Series 2017B	12,345,000	2.45% to 3.10%	2024	12,345,000	-	-	12,345,000	2,760,000
Unamortized Premium				14,553,323	-	1,000,694	13,552,629	796,232
Total Bonded Debt				338,943,323	-	7,145,694	331,797,629	7,346,232
Other Long-term Liabilities								
Accrued leave liabilities				57,101,294	8,373,490	5,798,354	59,676,430	5,650,073
Federal portion of Federal student loans				4,106,793	123,579	148,581	4,081,791	-
Tort claim liability				35,888,000	4,750,000	4,750,000	35,888,000	5,084,000
Net OPEB liability				57,663,711	-	874,162	56,789,549	-
Net pension liability				1,212,970,916	19,392,594	-	1,232,363,510	-
Total Other Long-term Liabilities				1,367,730,714	32,639,663	11,571,097	1,388,799,280	10,734,073
Total				\$ 1,706,674,037	\$ 32,639,663	\$ 18,716,791	\$ 1,720,596,909	\$ 18,080,305
Due within one year							18,080,305	
Total long-term liabilities							\$ 1,702,516,604	

Note 9 – Long-term Liabilities (continued)
Revenue Bonds Payable

The Corporation issued \$60,000,000 of revenue bonds, series 1993, dated December 15, 1993. The purpose of these revenue bonds was for the construction and equipping of a student union facility and various hospital facilities to be located on the campus of the Medical Center. On April 1, 1998, \$40,455,000 of the series 1993 bonds was advanced refunded through the issuance of the series 1998B revenue refunding bonds. As part of the 2009 refunding issue, a portion of the 1998B bonds were refunded and the debt service schedule of the remaining balance of \$23,670,000 was revised. The remaining bonds bear an interest rate of 5.50% with semi-annual interest payments due on June 1 and December 1, beginning June 2010. Principal matures from December 1, 2017 through December 1, 2023.

On October 22, 2009, the Corporation advance refunded the Series 2008A, 2008B, 1998A, and a portion of the 1998B bonds through the issuance of Series 2009 \$105,605,000 revenue refunding bonds. Principal matures from June 1, 2010 through 2034, with interest due semiannually on June 1 and December 1 of each year beginning December 1, 2009. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement between the Corporation and the Medical Center. A significant portion of the debt was repaid in 2018 with proceeds from the 2017 bonds.

Associated with the refunding is an amount related to the 2008A and 2008B bonds for termination of an interest swap agreement. The termination payment is being amortized over 25 years, because at the date of refunding, the 2008A and 2008B bonds had a life remaining of less than the 2009 refunding bonds. Additionally, the Corporation recognized a loss on the refunding associated with the repayment of the 2009 bonds in 2017 of \$662,632. This amount is being amortized over 15 years, which is the original remaining life of the 2009 bonds. The combined unamortized balance of each of these items is being reported on the statements of net position as deferred outflows of resources. The unamortized balance of this amount was \$3,896,269 and \$4,174,574 at June 30, 2020 and 2019, respectively.

On June 22, 2010, the Corporation issued \$24,870,000, \$20,000,000 and \$5,130,000 of Series 2010A, 2010B and 2010C bonds, respectively. The purpose of these revenue bonds is to finance capital expenditures related to the expansion, renovation, furnishing and equipping of existing facilities located on the campus of the Medical Center.

The Series 2010A bond issue has been designated as “Build America Bonds” under the Recovery Act. The Recovery Act authorizes the Corporation to issue taxable bonds to finance capital expenditures for which it could issue tax-exempt bonds and elect to receive a payment contemporaneously with each interest payment, currently equal to thirty-five percent of the interest payable. Principal matures June 1, 2021 through 2032, with interest due semiannually on June 1 and December 1 of each year beginning December 1, 2010. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement dated May 1, 2010, between the Corporation and the Medical Center. On September 11, 2019, all of the Series 2010A bonds were repaid with proceeds from the Series 2019 bonds.

The Corporation recognized a loss of \$1,338,455 on the refunding associated with the repayment of the 2010A bonds on September 11, 2019. This amount is being amortized over 13 years, which is the original remaining life of the 2010A bonds. The unamortized balance is classified on the statements of net position as deferred outflows of resources. The unamortized balance of this amount was \$1,235,497 at June 30, 2020.

Note 9 – Long-term Liabilities (continued)

The Series 2010B bond issue has been designated as “Recovery Zone Economic Development Bonds” under the Recovery Act. The Recovery Act authorizes the Corporation to issue taxable bonds to finance capital expenditures for which it could issue tax-exempt bonds and elect to receive a payment contemporaneously with each interest payment, currently equal to forty-five percent of the interest payable. Principal matures June 1, 2032 through 2035 with interest due semiannually on June 1 and December 1 and of each year beginning December 1, 2010.

The Series 2010C bonds are tax-exempt revenue bonds. Principal matures from June 1, 2011 through 2020, with interest due semiannually on June 1 and December 1 of each year beginning December 1, 2010. Repayment of the Series 2010A, 2010B, and 2010C bonds is secured by a pledge of rental payments per a lease agreement dated May 1, 2010, between the Corporation and the Medical Center.

On April 11, 2012, the Corporation issued \$51,860,000 and \$53,390,000 of Series 2012A revenue bonds and 2012B taxable revenue bonds, respectively. The purpose of these revenue bonds is to finance capital expenditures related to the expansion, renovation, furnishing, and equipping of existing and new health care, education and research facilities for the Medical Center.

The Series 2012A revenue bonds bear interest rates of 4.0% to 5.0% with interest due semi-annually on June 1 and December 1 of each year beginning June 1, 2012. Principal matures June 1, 2038 through 2041. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement dated March 1, 2012, between the Corporation and the Medical Center. A portion of the bond proceeds was set aside to pay interest expense through June 1, 2013, in the amount of \$2,668,417.

The Series 2012B taxable revenue bonds bear interest rates of 4.064% to 4.822% with interest due semi-annually on June 1 and December 1 of each year beginning June 1, 2012. Principal matures June 1, 2025 through 2038. Repayment of the revenue bonds is secured by a pledge of rental payments per a lease agreement dated March 1, 2012, between the Corporation and the Medical Center. A portion of the bond proceeds was set aside to pay interest expense through June 1, 2013 in the amount of \$2,895,192.

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

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

Note 9 – Long-term Liabilities (continued)

The Series 2017B refunding bonds bear interest rates ranging from 2.45% to 3.10% with interest due June 1 and December 1 of each year beginning June 2018. Principal matures beginning June 1, 2020 through June 1, 2024. Repayment of the bonds is secured by a pledge of rental payments pursuant to a lease agreement between the Corporation and the Medical Center.

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

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

In November 2017, the Medical Center entered into an agreement with University of Mississippi (UM) to provide up to \$40 million of intermediate debt to fund project construction for the Children’s of Mississippi expansion. In later years, the agreement was amended to also include project funding for campus heating, ventilation and air conditioning (HVAC) upgrades and Interventional Radiology renovations. For the year ended June 30, 2020 UM provided funding of \$8,336,907 to the Medical Center.

The UM note payable bears an interest rate of 2.00% with interest due quarterly beginning September 2020. Principal matures September 2020 through June 2025.

Scheduled maturities of bonded debt and note payable at June 30, 2020 are as follows:

Fiscal Year Ended:	Bonded Debt	Note Payable	Total Interest	Total
2021	\$ 8,127,264	\$ 1,553,238	\$ 14,853,439	\$ 24,533,941
2022	8,473,919	1,645,422	14,473,735	24,593,076
2023	8,778,941	1,678,634	14,132,820	24,590,395
2024	9,099,347	1,712,516	13,771,513	24,583,376
2025	8,544,745	1,747,097	13,463,800	23,755,642
2026-2030	46,571,727	-	61,604,932	108,176,659
2031-2035	58,088,995	-	50,562,557	108,651,552
2036-2040	76,362,503	-	34,131,859	110,494,362
2041-2045	73,317,987	-	16,644,550	89,962,537
2046-2047	31,363,536	-	2,119,700	33,483,236
Totals	\$ 328,728,964	\$ 8,336,907	\$ 235,758,905	\$ 572,824,776

Note 10 – Operating Leases

Operating leases have been issued to cover rental of floor space at the Jackson Medical Mall, Grenada and various other locations in the state of Mississippi. 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:	Amount
2021	\$ 16,110,594
2022	15,325,108
2023	13,036,926
2024	12,313,884
2025	11,674,278
2026-2030	55,144,449
2031-2034	11,217,304
Total Minimum Payments Required	<u>\$ 134,822,543</u>

The total rental expense for all operating leases, except those renewed with terms of a month or less that were renewed, for the fiscal year ending June 30, 2020 and 2019 was \$15,401,277 and \$15,462,708, respectively.

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, 2020:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	96,896,430	32,298,346	1,433,996	6,583,422	37	-	3,362,735	-	-	140,574,966
Hospital Instruction	31,554,691	13,930,945	9,859	4,706,523	-	-	7,344	-	-	50,209,362
Research	38,366,605	13,277,691	539,894	7,241,124	-	-	5,528,961	-	-	64,954,275
Public Service	10,248,021	3,569,468	282,390	4,341,358	4,248	-	2,078,841	-	-	20,524,326
Academic Support	9,562,044	3,457,950	181,964	1,427,624	-	-	1,365,369	-	-	15,994,951
Student Services	984,693	393,586	22,415	199,317	-	-	111,896	-	-	1,711,907
Institutional Support	58,082,872	24,740,562	278,594	31,077,867	1,360	-	4,936,792	-	-	119,118,047
Operation of Plant	6,865,632	3,152,206	35	14,846,681	12,329,327	-	4,180,301	-	-	41,374,182
Student Aid	-	-	-	-	-	5,636,891	-	-	-	5,636,891
Auxiliary Enterprises	898,387	389,541	-	174,149	-	-	2,070,038	-	-	3,532,115
Depreciation	-	-	-	-	-	-	-	46,591,645	-	46,591,645
Hospital	540,619,774	192,335,389	715,434	123,484,103	1,324,813	-	295,180,554	-	-	1,153,660,067
Loan Fund	-	-	-	-	-	-	-	-	316,991	316,991
Total Operating Expenses	794,079,149	287,545,684	3,464,581	194,082,168	13,659,785	5,636,891	318,822,831	46,591,645	316,991	1,664,199,725

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, 2019:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	92,013,009	28,533,760	1,793,876	6,036,017	-	-	4,261,545	-	-	132,638,207
Hospital Instruction	30,387,390	12,300,865	-	3,925,568	-	-	17,916	-	-	46,631,739
Research	36,351,890	12,175,862	1,101,224	7,263,365	-	-	6,909,097	-	-	63,801,438
Public Service	7,934,091	2,925,287	476,127	3,245,927	4,630	-	715,124	-	-	15,301,186
Academic Support	9,560,090	3,201,537	353,544	1,700,170	-	-	776,020	-	-	15,591,361
Student Services	858,489	337,140	6,888	210,755	-	-	110,089	-	-	1,523,361
Institutional Support	57,402,787	20,723,892	370,305	32,523,678	-	1,061,052	1,537,166	-	-	113,618,880
Operation of Plant	7,454,256	3,049,122	3,173	14,114,119	12,174,359	-	1,656,453	-	-	38,451,482
Student Aid	-	-	-	-	-	4,436,233	-	-	-	4,436,233
Auxiliary Enterprises	1,013,026	423,018	2,654	245,806	-	-	2,096,995	-	-	3,781,499
Depreciation	-	-	-	-	-	-	-	45,882,651	-	45,882,651
Hospital	512,439,410	172,179,825	1,190,979	121,940,433	1,320,298	-	258,310,418	-	-	1,067,381,363
Loan Fund	-	-	-	-	-	-	-	-	301,409	301,409
Total Operating Expenses	755,414,438	255,850,308	5,298,770	191,205,838	13,499,287	5,497,285	276,390,823	45,882,651	301,409	1,549,340,809

Note 12 – Construction Commitments and Financing

The Medical Center has contracted for various construction projects as of June 30, 2020. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	Remaining Estimated Costs to Complete	Funded By	
		State Sources	Institutional Funds
Enclose Children's Stairwell	\$ 4,345	\$ -	\$ 4,345
Renovate L029 in Clinical Sciences	41,405	-	41,405
Renovate Main Pharmacy	1,679,358	-	1,679,358
New Domestic Water Well	105,500	-	105,500
Roof Replacement Maintenance Shop & Student Union	47,293	-	47,293
Emergency Phone Elevator Upgrades	53,279	-	53,279
Garage D	3,253,088	-	3,253,088
Update 2nd Floor HVAC Controls in Lexington	94,898	-	94,898
Renovate Waiting Room & Exam Rooms	255,873	-	255,873
Renovate ID Research & Care JMM	10,806	-	10,806
Renovate CV003 Radiology	1,489,881	-	1,489,881
Batson Children's Hospital Expansion	31,278,164	-	31,278,164
Lab Space for Pre-Anesthesia Testing	177,657	-	177,657
Adult Hospital Sidewalk Repairs	93,238	-	93,238
Employee Health Renovation	415,492	-	415,492
UP Belhaven Phase II Renovations	155,870	-	155,870
Supply Chain Test Fit-Laundry Building	85,063	-	85,063
Surgery & Patient Care Units	633,051	-	633,051
Campus Emergency System Upgrades	3,239,290	-	3,239,290
Campus LED Lighting Upgrades	759,502	-	759,502
Campus HVAC Upgrades	2,660,096	-	2,660,096
Campus Security Upgrades Phase II	85,642	-	85,642
JMM Pharmacy Compliance	343,963	-	343,963
Replacement of Air Handling Unit Guyton	161,143	-	161,143
Patient Rooms for Children's Expansion Connection	169,125	-	169,125
Replace Support Services Roof, Repair Holes, & Resurface L	26,154	-	26,154
Parking Lot Repairs Grenada	97,931	-	97,931
LRC Office Consolidation	83,076	-	83,076
Reconfigure Research Area in Basement LRC	66,044	-	66,044
MS Center for Emergency Services Fiber Run	109,901	-	109,901
MS Center for Fragile Children	12,437,822	12,437,822	-
Replace AHU's 3-41 North Wing, 3-45 South Wing	90,491	-	90,491
Upgrade Main OR HVAC	436,529	-	436,529
GE MRI Replacement	43,821	-	43,821
Firewall Barrier Repair	10,370	-	10,370
Grenada Labor & Delivery	33,650	-	33,650
Total	<u>\$ 60,728,811</u>	<u>\$ 12,437,822</u>	<u>\$ 48,290,989</u>

Note 13 – Pension and Other Employee Benefit Plans

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

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

The employees of the Medical Center are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2019 for fiscal year 2020 and June 30, 2018 for fiscal year 2019. The funding methods and determination of benefits payable were established by the legislative acts creating such plans, as amended, and in general, provide that the funds are to be accumulated from employee contributions, participating entity contributions and income from the investment of accumulated funds. The plans are administered by separate boards of trustees. Information included within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC. A stand-alone audited financial report is issued for the Plans and can be obtained at www.pers.ms.gov.

Disclosures under GASB Statement No. 68 – The pension disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2019). For fiscal year 2020, the measurement date for the PERS defined benefit plan is June 30, 2019. For fiscal year 2019, the measurement date for the PERS defined benefit plan is June 30, 2018. The Medical Center is presenting net pension liability as of June 30, 2019 and 2018 for the fiscal years 2020 and 2019 financials, respectively.

(a) PERS Defined Benefit Plan

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

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

Note 13 – Pension Plan (continued)

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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

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

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2020 and 2019 was 17.40% and 15.75%, respectively, for each year of annual payroll. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the Medical Center are recognized when legally due based on statutory requirements.

Employer Contributions – The University of Mississippi Medical Center's contributions to PERS for the years ended June 30, 2020 and 2019 were \$89.7 million and \$79.3 million, respectively. The Medical Center's proportionate share was calculated on the basis of historical contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the Medical Center that are not representative of future contribution effort are excluded in the determination of employer's proportionate share. Examples of employer contributions not representative of future contribution efforts are contributions

Note 13 – Pension Plan (continued)

towards the purchase of employee service and employer contributions paid by employees in connection with early retirement.

The following table provides the institution’s contributions used in the determination of its proportionate share of collective net pension amount reported:

<u>Plan</u>	<u>Proportionate share of contributions</u>	<u>Allocation percentage of proportionate share of collective pension amount</u>	<u>Change in proportionate share of collective pension amount</u>
PERS Defined Benefit:			
2020	\$ 79,308,734	7.731727%	0.322566%
2019	74,520,454	7.409160%	0.112390%

Net Pension Liability – The University of Mississippi Medical Center’s proportion of the net pension liability at June 30, 2020 and 2019 is as follows:

<u>Plan</u>	<u>Proportion of net pension liability</u>	<u>Proportionate share of net pension liability</u>
PERS Defined Benefit:		
2020	7.731727%	\$ 1,360,163,256
2019	7.409160%	1,232,363,510

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Deferred outflows of resources were related to differences between expected and actual experience, changes of assumptions, changes in proportion and differences between employer contributions and the proportionate share of contributions, and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is approximately five years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources.

Note 13 – Pension Plan (continued)

At June 30, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020								
Deferred outflows					Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
\$ 804,641	13,335,141	50,499,628	88,706,272	153,345,682	14,880,868	—	1,464,080	16,344,948

Contributions subsequent to the measurement date of \$88.7 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

2019								
Deferred outflows					Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
\$ 5,402,611	727,061	22,290,772	78,391,851	106,812,295	24,497,722	680,605	5,195,007	30,373,334

Contributions subsequent to the measurement date of \$78.4 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Note 13 – Pension Plan (continued)

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

Deferred outflows of resources Year Ended June 30				
2021	2022	2023	2024	Total
\$ 26,029,514	23,936,322	14,673,574	—	64,639,410

Deferred inflows of resources Year Ended June 30				
2021	2022	2023	2024	Total
\$ (1,418,991)	24,400,337	(426,546)	(6,209,852)	16,344,948

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2018.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the year ended June 30, 2020 and 2019:

	2020	2019
Valuation date	June 30, 2019	June 30, 2018
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	2.75 %	3.00 %
Salary increases	3.00	3.25
Investment rate of return	7.75	7.75

Mortality – Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

Discount Rate – For the years ended June 30, 2020 and 2019, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40% and 15.75%, respectively) for the years ended June 30, 2020 and 2019. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 13 – Pension Plan (continued)

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 and 2019 are summarized in the following table:

Asset class	Year ended June 30, 2020		Year ended June 30, 2019	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Domestic Equity	27.00 %	4.90 %	27.00 %	4.60 %
International equity	22.00	4.75	18.00	4.50
Emerging markets equity			4.00	4.75
Global Equity	12.00	5.00	12.00	4.75
Fixed income	20.00	1.50	18.00	0.75
Real assets	10.00	4.00	10.00	3.50
Private equity	8.00	6.25	8.00	5.10
Emerging debt			2.00	2.25
Cash	1.00	0.25	1.00	0.00
	<u>100.00</u>		<u>100.00</u>	

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The following table presents the Medical Center’s proportionate share of the net pension liability of the cost-sharing plan for 2020 and 2019, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University of Mississippi Medical Center proportionate share of net pension liability:			
2020	\$ 1,787,981,724	\$ 1,360,163,256	\$ 1,007,037,519
2019	1,622,669,117	1,232,363,510	907,968,015

- (b) **Optional Retirement Plan, a defined contribution plan** – The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning faculty. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees, and in the event of death, the ORP provides funds for their beneficiaries through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the Medical Center are identical to that of the PERS defined benefit plan.

Note 13 – Pension Plan (continued)

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The Medical Center's contributions to the ORP for the years ended June 30, 2020 and 2019 were \$32.0 million and \$26.8 million, respectively, which equaled its required contribution for the period.

Note 14 – Postemployment Health Care and Life Insurance Benefits

Plan Description – In addition to providing pension benefits, the Medical Center provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees' Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan.

The 14-member board is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees' Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

Membership and Benefits Provided – The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, the Plan is considered a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

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

Contributions – Employees’ premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his or her state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

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

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

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

The audited financial report for the Plan can be found at knowyourbenefits.dfa.ms.gov.

At June 30, 2019 and 2018, the Plan provided health coverage to 321 and 327 employer units, respectively.

Disclosures under GASB Statement No. 75 – The disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2019). For fiscal year 2020, the measurement date for the State and School Employees’ Life and Health Insurance Plan is June 30, 2019. For fiscal year 2019, the measurement date for the State and School Employees’ Life and Health Insurance Plan is June 30, 2018. The Medical Center is presenting net OPEB liability as of June 30, 2019 and 2018 for the fiscal years 2020 and 2019 financials, respectively.

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

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

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

At June 30, 2020 and 2019, the Medical Center reported a liability of \$64.5 million and \$56.8 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2020, the NOL was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2020 and 2019, the Medical Center's proportion was 7.60% and 7.34%, respectively.

For the years ended June 30, 2020 and 2019, the Medical Center recognized OPEB expense of \$3.6 million and \$2.7 million, respectively. See the following tables for deferred outflows and inflows of resources related to OPEB from the following sources:

2020									
Deferred outflows					Deferred inflows				
Differences between expected and actual experience	Net difference between projected and actual investment earnings on OPEB Plan investments	Change of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Change of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
97,566	1,233	4,810,818	1,971,657	2,406,881	9,288,155	3,346,153	923,676	44,982	4,314,811

\$2,406,881 reported as deferred outflows of resources related to OPEB resulting from the Medical Center contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2021.

2019							
Deferred outflows				Deferred inflows			
Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
115,630	170,414	2,586,529	2,872,573	4,046,365	55,209	4,101,574	

\$2,586,529 reported as deferred outflows of resources related to OPEB resulting from the Medical Center contributions subsequent to the measurement date was recognized as a reduction of the NOL in the year ended June 30, 2020.

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

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2019 and 2018 measurement periods is 6.4 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

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

Deferred outflows (inflows) of resources year ended June 30							
	2021	2022	2023	2024	2025	Thereafter	Total
\$	273,571	273,571	273,571	433,499	969,480	342,771	2,566,463

Actuarial Methods and Assumptions

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the years ended June 30, 2020 and 2019:

	2020	2019
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018
Experience study	April 2, 2019	April 18, 2017
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	2.75 %	3.00 %
Long-term expected rate of return	3.50 %	4.50 %
Discount rate	3.50 %	3.89 %
Projected cash flows	N/A	N/A
Projected salary increases	3.00% - 18.25%	3.25% - 18.50%
Healthcare cost trend rates	7.00% decreasing to 4.75% by 2028	7.25% decreasing to 4.75% by 2028

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

Mortality – Mortality rates were based on the PubS H-2010(b) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

Discount Rate – For the years ended June 30, 2020 and 2019, the discount rate used to measure the total OPEB liability was 3.50% and 3.89%, respectively. The discount rate is based on an average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published by the Board of Governors of the Federal Reserve System).

Long-term Expected Rate of Return – At June 30, 2020 and 2019, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50%, respectively.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate – The following tables presents the Medical Center’s proportionate share of the NOL for 2020 and 2019, calculated using the discount rate of 3.50% and 3.89%, respectively, as well as what the Medical Center’s NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate Sensitivity		
		Current	
	1% Decrease (2.50%)	discount rate (3.50%)	1% Increase (4.50%)
University of Mississippi Medical Center proportionate share of net OPEB liability 2020	\$ 71,680,667	\$ 64,529,186	\$ 58,410,427

	Discount Rate Sensitivity		
		Current	
	1% Decrease (2.89%)	discount rate (3.89%)	1% Increase (4.89%)
University of Mississippi Medical Center proportionate share of net OPEB liability 2019	\$ 62,949,807	\$ 56,789,549	\$ 51,491,540

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

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

	Health Care Cost Trend Rates Sensitivity		
		Current	
	1% Decrease	discount rate	1% Increase
University of Mississippi Medical Center proportionate share of net OPEB liability 2020	\$ 59,796,235	\$ 64,529,186	\$ 69,890,819
2019	52,605,894	56,789,549	61,540,989

Note 15 – Deferred Inflows of Resources

Deferred inflows of resources as of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Implementation of GASB 68 - Accounting and Reporting for Pensions:		
Difference between Expected and Actual Experience	\$ 1,464,080	\$ 5,195,007
Difference between Projected and Actual Investment Earnings	14,880,868	24,497,722
Changes in Assumptions	-	680,605
Implementation of GASB 75 - Other Postemployment Benefits:		
Changes in Assumptions	3,346,153	4,046,365
Changes in Proportion	44,982	55,209
Difference between Expected and Actual Experience	923,676	-
Beneficial Interest in Irrevocable Trusts	35,933,062	34,944,417
	<u>\$ 56,592,821</u>	<u>\$ 69,419,325</u>

Note 16 – Material Component Unit of the Medical Center

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Medical Center Educational Building Corporation is deemed to be a material component unit of the Medical Center but is presented on a blended basis in the accompanying financial statements due to the significance of its activities to the Medical Center's operations. Condensed financial information as of June 30, 2020 and 2019 is listed in the following schedule:

	<u>2020</u>	<u>2019</u>
Current assets	8,196,619	7,959,003
Noncurrent assets	326,512,166	339,462,952
Total assets	<u>334,708,785</u>	<u>347,421,955</u>
Deferred Outflows of Resources	<u>5,131,766</u>	<u>4,174,574</u>
Current liabilities	7,993,553	22,263,729
Noncurrent liabilities	322,088,964	325,247,629
Total liabilities	<u>330,082,517</u>	<u>347,511,358</u>
Total net position	<u>9,758,034</u>	<u>4,085,171</u>
Operating revenues	14,496,788	16,011,162
Operating expenses	8,823,925	12,664,018
Total operating income	<u>5,672,863</u>	<u>3,347,144</u>
Change in net position	<u>\$ 5,672,863</u>	<u>3,347,144</u>

Note 17 – Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure was \$11,541,545 and \$20,464,520 as of June 30, 2020 and 2019, respectively. These amounts are included on the Statement of Net Position in “Net Position - 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 18 – 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.

Total assets and liabilities related to this activity approximated \$48.1 million and \$31.2 million, respectively, at June 30, 2020, and approximated \$45.6 million and \$35.5 million, respectively, at June 30, 2019, and are included in the statement of net position.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis to establish a liability for both reported and unreported insured events, which includes estimates of future payments and losses.

Note 18 – University of Mississippi Medical Center Tort Claims Fund (continued)

The following represents changes in the unpaid claims and liabilities for the Medical Center Tort Claims Fund for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unpaid claim liability at beginning of year	\$ 35,491,000	35,888,000
Incurred claims:		
Insured events of the current year	5,567,000	8,970,000
Decrease in provision for insured events of prior years	<u>(6,925,000)</u>	<u>(5,975,000)</u>
Total incurred claims	<u>(1,358,000)</u>	<u>2,995,000</u>
Payments:		
Attributable to insured events of the current year	16,328	504,358
Attributable to insured events of the prior year	<u>2,918,672</u>	<u>2,887,642</u>
Total payments	<u>2,935,000</u>	<u>3,392,000</u>
Unpaid claim liability at end of year	<u>\$ 31,198,000</u>	<u>35,491,000</u>

At June 30, 2020 and 2019, unpaid claims, included in other long-term liabilities, of \$34.4 million and \$39.2 million is presented at its net present value of \$31.2 million and 35.5 million, respectively, using a discount rate of 4%.

Note 19 – Subsequent Event

On October 29, 2020, the Medical Center Educational Building Corporation (MCEBC) issued Series 2020B revenue bonds to advance refund the MCEBC Build America Bonds Series 2010B, the Series 2012A, the Series 2012B, finance capital expenditures, including but not limited to the Parking Garage C and the Mississippi Center for Emergency Services. The total new issued bonds approximated \$158.125 million.

**REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

**Schedule of Proportionate Share of Net Pension Liability
For the years ended June 30**

	Proportionate share of the net pension liability	Proportionate share of the net pension liability	Estimated Covered-employee payroll provided by PERS	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	PERS fiduciary net position as a percentage of the total pension liability
2015	6.76%	\$ 821,435,313	\$ 413,521,568	199.00%	67.00%
2016	7.04%	1,087,561,173	439,542,508	247.43%	61.70%
2017	7.22%	1,288,831,062	461,579,562	279.22%	57.47%
2018	7.30%	1,212,970,916	468,091,930	259.13%	61.49%
2019	7.41%	1,232,363,510	473,145,740	260.46%	62.54%
2020	7.73%	1,360,163,256	503,547,517	270.12%	61.59%

**Schedule of Proportionate Share of Contributions
For the years ended June 30**

	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	Actual Covered-employee payroll	Contribution as a percentage of covered-employee payroll
2015	\$ 68,736,092	\$ 68,736,092	\$ -	436,419,632	15.75%
2016	71,818,771	71,818,771	-	455,992,197	15.75%
2017	72,327,391	72,327,391	-	459,221,530	15.75%
2018	73,927,567	73,927,567	-	469,381,378	15.75%
2019	78,391,851	78,391,851	-	497,726,038	15.75%
2020	88,706,272	88,706,272	-	509,806,161	17.40%

**REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

**Schedule of Proportionate Share of the Net OPEB Liability
For the years ended June 30**

	Proportionate share of the net OPEB liability	Proportionate share of the net OPEB liability	Covered- employee payroll	Proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	7.35%	\$ 57,663,711	\$ 330,186,370	17.46%	0.00%
2019	7.34%	56,789,549	332,047,403	17.10%	0.00%
2020	7.60%	64,529,186	348,252,627	18.53%	0.00%

**Schedule of Proportionate Share of Employer Contributions
For the years ended June 30**

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 3,209,684	\$ 2,268,893	\$ 940,791	\$ 330,186,370	0.69%
2019	3,455,606	2,529,046	926,561	332,047,403	0.76%
2020	3,529,884	2,586,518	943,366	348,252,627	0.74%

Notes to Required Supplementary Information (Unaudited) June 30, 2020 and 2019

1. Net pension liability

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

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

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

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

(c) Changes in Assumptions and Benefit Terms (pension plan)

Changes of assumptions:

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

Changes in benefit provisions: Amounts reported for fiscal years 2020 and 2019 reflect no changes in benefit provisions.

Notes to Required Supplementary Information (Unaudited)
June 30, 2020 and 2019

2. Net OPEB liability

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

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

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

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

(c) Changes in Assumptions and Benefit Terms (OPEB plan)

Changes of assumptions: In 2019, the SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date. In 2020, the SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

Changes to benefit terms: Amounts reported for fiscal years 2020 and 2019 reflect no changes to benefit terms.