Financial Report

June 30, 2017

The University of Mississippi
Medical Center • Jackson

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The University of Mississippi Medical Center ("the Medical Center") presents its financial statements for fiscal year 2017 with fiscal years 2016 and 2015 presented for comparative purposes. Management's discussion and analysis provides an overview of the Medical Center's financial activities.

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

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

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

The Medical Center

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

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

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

Statement of Net Position

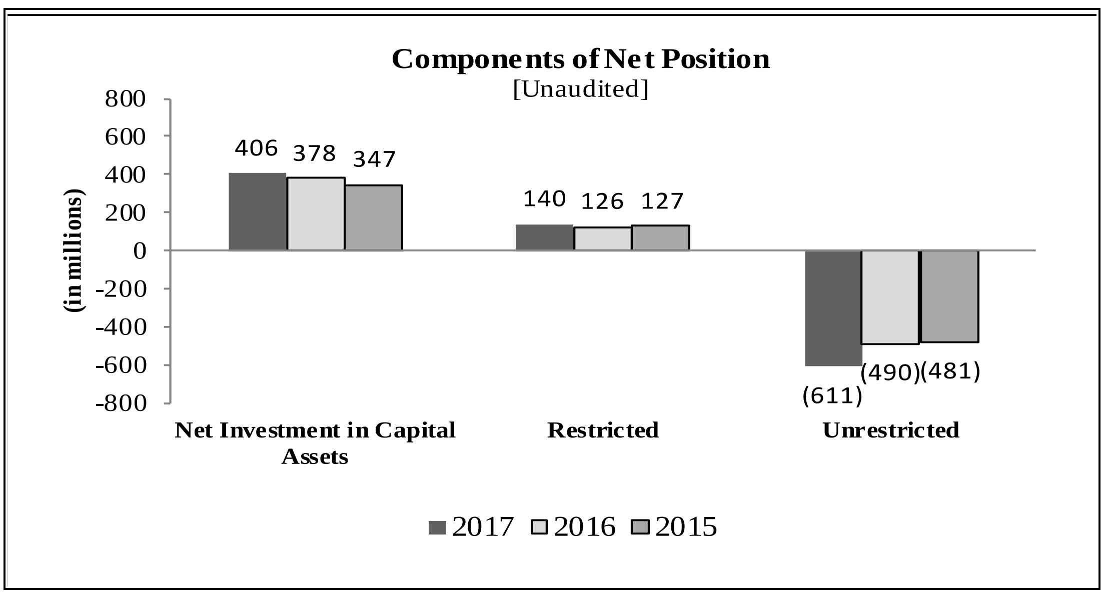
The Statement of Net Position presents the assets, liabilities, and the net position components of the Medical Center using the accrual basis of accounting. The Statement of Net Position is a point in time financial statement. The Statement of Net Position presents end-of-year data concerning Assets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

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

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

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

The following graph illustrates the comparative change in net position by category for fiscal years 2017, 2016 and 2015:



Statement of Net Position (continued)

Statement of Net Position (in thousands) [Unaudited]	2017	2016	2015
Assets and Deferred Outflows			
Current Assets	$ 474,462	$ 500,370	$ 461,412
Capital Assets, Net	656,759	611,917	560,606
Other Assets	289,362	279,302	298,780
Deferred Outflows of Resources	303,568	238,463	112,340
Total Assets and Deferred Outflows	1,724,151	1,630,052	1,433,138
Liabilities and Deferred Inflows			
Current Liabilities	162,767	165,085	159,263
Noncurrent Liabilities	1,622,858	1,425,723	1,162,233
Deferred Inflows of Resources	3,424	25,671	119,073
Total Liabilities and Deferred Inflows	1,789,049	1,616,479	1,440,569
Net Position			
Net Investment in Capital Assets	405,756	378,230	346,778
Restricted - Expendable	113,418	99,746	102,237
Restricted - Nonexpendable	26,751	25,636	25,033
Unrestricted	(610,823)	(490,039)	(481,479)
Total Net Position	$ (64,898)	$ 13,573	$ (7,431)

At June 30, 2017 current assets totaled $474.5 million and consisted primarily of cash and cash equivalents, short term investments and net receivables. Current assets decreased 5.2% ($25.9 million) from 2016. Cash, cash equivalents, and short-term investments constituted approximately 55.9% of current assets as of June 30, 2017 while accounts receivables constituted approximately 36.6% of current assets. Approximately 82.3% of these receivables were related to patient care receivables.

At June 30, 2016 current assets totaled $500.4 million and consisted primarily of cash and cash equivalents, short term investments and net receivables. Current assets increased 8.4% ($39.0 million) from 2015. Cash, cash equivalents, and short-term investments constituted approximately 53.4% of current assets as of June 30, 2016 while accounts receivables constituted approximately 38.1% of current assets. Approximately 76.7% of these net receivables were related to patient care receivables.

Capital assets, net of accumulated depreciation, increased by $44.8 million from 2016 and $51.3 million from 2015. 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, 2017 current liabilities equaled $162.8 million and consisted primarily of accounts payable and accrued liabilities, and other current liabilities. Other current liabilities include amounts due to third party payors. Current liabilities decreased 1.4% ($2.3 million) from 2016. Accounts payable and accrued liabilities decreased $8.9 million and other current liabilities increased $5.6 million.

At June 30, 2016 current liabilities equaled $165.1 million and consisted primarily of accounts payable and accrued liabilities, and other current liabilities. Other current liabilities include amounts due to third party payors. Current liabilities increased 3.7% ($5.8 million) from 2015. Accounts payable and accrued liabilities increased $11.0 million and other current liabilities decreased $7.7 million.

The Medical Center implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. As a result, deferred outflows of resources of $299.4 million, $234.0 million and $107.6 million has been recorded for 2017, 2016 and 2015. Deferred inflows of resources of $3.4 million, $25.7 million and $119.1 million has been recorded for 2017, 2016 and 2015. Net pension liability (classified as a noncurrent liability) of $1.289 billion, $1.088 billion and $821.4 million has been recorded for 2017, 2016 and 2015.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end (June 30th). At June 30, 2017 noncurrent liabilities increased 13.8% ($197.1 million) from 2016. The principal reason for the increase was due to the increase in the net pension liability ($201.3 million). At June 30, 2016 noncurrent liabilities increased 22.7% ($263.5 million) from 2015. The principal reason for the increase was due to the increase in the net pension liability ($266.1 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, 2017, the total assets of the Medical Center increased $29.0 million from 2016 and $70.8 million from 2015. Total liabilities increased $194.8 million from 2016 and increased $269.3 million from 2015. Unrestricted net position decreased $120.8 million from 2016 and decreased $8.6 million from 2015.

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]

	2017	2016	2015
Operating Revenues	$ 1,204,145	$ 1,247,626	$ 1,181,137
Operating Expenses	1,511,044	1,447,268	1,305,235
Operating Loss	(306,899)	(199,642)	(124,098)
Net Nonoperating Revenues and Expenses	181,648	185,642	192,700
Income Before Other Revenues, Expenses, Gains or Losses	(125,251)	(14,000)	68,602
Other Revenues, Expenses, Gains or Losses	46,780	35,004	13,986
Change in Net Position	(78,471)	21,004	82,588
Net Position, beginning of year	13,573	(7,431)	(90,019)
Net Position, end of year	$ (64,898)	$ 13,573	$ (7,431)

The largest sources of operating revenues were from patient care, and grants and contracts. Net patient care revenues totaled $1.074 billion, $1.086 billion and $1.043 billion, a decrease of 1.1% from 2016 to 2017 and an increase of 4.1% from 2015 to 2016, respectively.

The Medical Center receives grant and contract revenue from federal, state, and private agencies. Grant and contract revenue totaled $60.1 million, 65.1 million and $63.4 million, a decrease of 7.7% from 2016 to 2017 and an increase of 2.7% from 2015 to 2016.

Tuition and fees, net of scholarship allowances, totaled $28.4 million, $26.0 million and $25.3 million, an increase of 9.2% and 2.6% from 2016 to 2017 and 2015 to 2016. This increase was due to tuition increases.

The largest category of operating expenses is salaries, wages and fringe benefits, representing 66.9%, 64.2% and 63.0% for the years ending June 30, 2017, 2016 and 2015. Salaries, wages and fringe benefits totaled $1.011 billion, $929.0 million and $821.6 million, an increase of 8.8% and 13.1 % from 2016 to 2017 and 2015 to 2016. Significant increases were volume increases and service mix changes, and the implementation of GASB No. 68 *Accounting and Financial Reporting for Pensions.*

The Medical Center relies on funding from state appropriations. The Medical Center recognized state educational appropriations from the State of Mississippi totaling $172.5 million, $185.7 million and $189.3 million, which is included as nonoperating revenue in 2017, 2016 and 2015. The Medical Center also recognized capital appropriations from the State of Mississippi totaling $32.5 million, $22.2 million and $5.4 million, which is included as a component of other revenues, expenses, gains, or losses in 2017, 2016 and 2015.

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]

	2017	2016	2015
Cash provided (used) by:			
Operating Activities	$ (128,083)	$ (148,745)	$ (64,582)
Noncapital financing activites	182,798	193,845	199,255
Capital and related financing activites	(55,635)	(82,367)	(66,147)
Investing activities	(19,938)	7,336	(1,175)
Net Change in Cash	(20,858)	(29,931)	67,351
Cash and cash equivalents, beginning of the year	345,360	375,291	307,940
Cash and cash equivalents, end of the year	$ 324,502	$ 345,360	$ 375,291

The condensed statements illustrate the composition of cash sources and uses of funds for fiscal years 2017, 2016 and 2015. The Medical Center used $128.1 million, $148.7 million and $64.6 million of cash for operating activities, offset by $182.8 million, $193.8 million and $199.3 million of cash provided by noncapital financing activities in 2017, 2016 and 2015, 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 $55.6 million, $82.4 million and $66.1 million in 2017, 2016 and 2015, respectively, was used for capital and related financing activities, primarily purchases of capital assets and principal and interest payments on long-term debt, partially offset by sources that included grants and contracts for capital purposes. Cash provided by (used) in investing activities totaled $(19.9) million, $7.3 million and $(1.2) million in 2017, 2016 and 2015, 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 $5.8 million from 2016 and $5.6 million from 2015. 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 $1.18 billion in 2015 to $1.25 billion in 2016 and decreased to $1.20 billion in 2017. This represents an increase of operating revenues of $23.0 million over a three year period. Patient care revenues represent the majority of the increase. Total operating expenses have increased $205.8 million since 2015. $117.9 million of the increase in operating expenses is related to the net effect of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

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 the 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 (Lawson) 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

The Medical Center continues to see a smaller percentage of total revenues from State Appropriations. During the operating year subsequent to the fiscal year reported, the Medical Center's State Appropriation has been cut by $13.9 million. Although only a small percentage of our overall revenue, state appropriations are devoted primarily to and critical for our education mission. That mission focuses on training future physicians who will provide health care to Mississippians, including the indigent. In spite of modest economic growth, Mississippi tax collections remain below budgeted projections. The majority of the Medical Center's total revenues come from the Health System. It is critical for the Medical Center to provide the highest quality and most efficient patient care possible. Unexpected financial events have always been and will continue to be a challenge.

The Medical Center addressed these cuts during the last three months of the current fiscal year by developing initiatives to increase revenue and reduce expense to mostly compensate for the reductions. These initiatives will continue during subsequent fiscal years. Additionally the Medical Center has initiated additional cost reductions and revenue enhancements for fiscal year 2018 to address fiscal year cuts in state appropriations for the year.

Economic Outlook (continued)

Medical Center management continues to successfully manage the challenge of recruiting and retaining qualified faculty, staff, and trained medical personnel in a very competitive environment. At the same time, costs for medical equipment and supplies continue to grow faster than general inflation. Uncertainty on the national level with the future of the Affordable Care Act creates challenges in strategic and financial planning for the future of the institution.

Medical Center management, faculty, and staff are committed to improving the health status of all Mississippians through our missions of education, research, and healthcare. Even while facing the challenges and uncertainties of the health care industry, Medical Center management believes its investment in information technology and strategic planning for targeted growth positions the Medical Center for success.

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

	June 30	
	2017	**2016**
Assets and Deferred Outflows		
Current Assets:		
Cash and Cash Equivalents (note # 2)	$ 173,950,157	$ 195,110,639
Short Term Investments (note # 2)	91,330,747	71,857,734
Accounts Receivable, Net (note # 3)	173,606,006	190,753,570
Student Notes Receivable, Net (note # 4)	511,912	615,512
Inventories	26,318,037	26,151,794
Prepaid Expenses	7,698,547	6,849,049
Other Current Assets	1,046,579	9,031,684
Total Current Assets	**474,461,985**	**500,369,982**
Noncurrent Assets:		
Cash Designated for Capital and Debt Activities (note # 2)	104,297,077	92,274,734
Restricted Cash and Cash Equivalents (note # 2)	46,254,926	57,975,065
Restricted Short Term Investments (note # 2)	901,863	2,501,365
Endowment Investments (note # 2)	82,827,260	72,974,850
Other Long Term Investments (note # 2)	44,855,916	42,496,345
Accounts Receivable, Net (note # 3)	3,897,564	4,259,720
Student Notes Receivable, net (note # 4)	6,327,364	6,820,202
Capital Assets, Net (note # 5)	656,759,136	611,916,560
Total Noncurrent Assets	**946,121,106**	**891,218,841**
Total Assets	**1,420,583,091**	**1,391,588,823**
Deferred Outflows of Resources (note # 6)	**303,568,735**	**238,463,586**
Total Assets and Deferred Outflows of Resources	**$ 1,724,151,826**	**$ 1,630,052,409**
Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (note # 7)	$ 101,790,171	$ 110,720,185
Unearned Revenues (note # 8)	16,592,400	16,340,417
Accrued Leave Liabilities - Current Portion (note # 9)	4,941,170	4,394,887
Long Term Liabilities - Current Portion (note # 9)	10,969,690	10,791,690
Other Current Liabilities	28,473,914	22,837,974
Total Current Liabilities	**162,767,345**	**165,085,153**
Noncurrent Liabilities:		
Accrued Leave Liabilities (note # 9)	54,187,057	54,312,156
Long Term Liabilities (note # 9)	244,910,298	251,002,988
Net Pension Liability (note # 13)	1,288,831,062	1,087,561,173
Other Non-Current Liabilities (note # 9)	34,929,315	32,846,322
Total Noncurrent Liabilities	**1,622,857,732**	**1,425,722,639**
Total Liabilities	**1,785,625,077**	**1,590,807,792**
Deferred Inflows of Resources	**3,424,215**	**25,670,867**
Total Liabilities and Deferred Inflows of Resources	**$ 1,789,049,292**	**$ 1,616,478,659**
Net Position:		
Net Investment in Capital Assets	405,756,233	378,230,555
Restricted for:		
Nonexpendable -		
Other Purposes	26,751,471	25,636,660
Expendable -		
Scholarships and Fellowships	2,924,219	3,492,880
Research	34,333,371	27,739,181
Debt Service	1,123,989	1,101,328
Loans	4,158,044	4,390,355
Other Purposes	70,878,340	63,022,151
Unrestricted	(610,823,133)	(490,039,360)
Total Net Position	**$ (64,897,466)**	**$ 13,573,750**

See accompanying notes to financial statements.

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

	June 30 2017	June 30 2016
Operating Revenues:		
Tuition and Fees	$ 33,521,851	$ 30,957,146
Less: Scholarship Allowances	(5,104,236)	(4,908,602)
Less: Bad Debt Expense	(41,481)	(66,076)
Net Tuition and Fees	28,376,134	25,982,468
Federal Grants and Contracts	42,824,103	42,230,081
State Grants and Contracts	8,424,460	13,547,847
Nongovernmental Grants and Contracts	8,824,994	9,303,049
Sales and Services of Educational Departments	1,006,197	974,901
Auxiliary Enterprises:		
Bookstore	2,459,530	2,480,056
Other Auxiliary revenues	1,659,079	1,389,454
Interest Earned on Loans to Students	341,714	194,038
Patient Care Revenues, Net	1,074,214,704	1,086,205,305
Other Operating Revenues	36,014,330	65,318,709
Total Operating Revenues	**1,204,145,245**	**1,247,625,908**
Operating Expenses:		
Salaries and Wages	710,889,380	698,343,090
Fringe Benefits	186,137,357	184,374,220
Net GASB 68 Pension Expense Adjustment	113,639,448	46,321,745
Travel	5,711,402	5,917,391
Contractual Services	180,145,807	170,535,434
Utilities	11,413,549	11,998,884
Scholarships and Fellowships	4,963,022	6,321,715
Commodities	252,866,356	279,166,712
Depreciation	45,136,438	44,132,768
Other Operating Expenses	141,555	155,579
Total Operating Expenses	**1,511,044,314**	**1,447,267,538**
Operating Loss	**(306,899,069)**	**(199,641,630)**
Nonoperating Revenues (Expenses):		
State Appropriations	172,520,882	185,663,575
Gifts and Grants	9,743,553	7,305,548
Investment Income (Loss), Net of Investment Expense	10,357,459	3,710,895
Interest Expense on Capital Asset-Related Debt	(10,973,834)	(11,037,850)
Total Nonoperating Revenues (Expenses), Net	**181,648,060**	**185,642,168**
Income Before Other Revenues, Expenses, Gains and Losses	**(125,251,009)**	**(13,999,462)**
Capital Grants and Gifts	13,258,087	13,636,792
State Appropriations Restricted for Capital Purposes	32,497,201	22,195,345
Additions to Permanent Endowments	1,089,366	98,231
Other Deletions	(64,861)	(926,640)
Change in Net Position	**(78,471,216)**	**21,004,266**
Net Position		
Net Position - Beginning of Year, as Adjusted (Note # 1)	13,573,750	(7,430,516)
Net Position - End of Year	**$ (64,897,466)**	**$ 13,573,750**

See accompanying notes to financial statements.

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

	June 30 2017	June 30 2016
Operating activities:		
Tuition and fees	$ 29,794,993	$ 26,206,226
Grants and contracts	61,431,435	66,847,181
Sales and services of educational departments	955,303	976,772
Payments to suppliers	(446,802,092)	(455,743,300)
Payments to employees for salaries and benefits	(894,511,949)	(872,601,399)
Payments for utilities	(11,413,549)	(11,998,844)
Payments for scholarships and fellowships	(6,038,385)	(6,321,715)
Loans issued to students	(1,621,387)	(1,559,546)
Collection of loans to students	1,778,023	1,656,097
Auxiliary enterprise charges:		
Bookstore	2,463,019	2,469,110
Other auxiliary enterprises	1,658,575	1,390,120
Patient care services	1,091,284,861	1,042,311,163
Interest earned on loans to students	341,714	194,038
Other receipts	42,735,668	57,584,722
Other payments	(139,321)	(155,579)
Net cash used in operating activities	**(128,083,092)**	**(148,744,954)**
Noncapital financing activities:		
State appropriations	172,373,043	186,619,567
Gifts and grants for other than capital purposes	9,743,553	7,305,548
Private gifts for endowment purposes	1,089,366	98,231
Federal loan program receipts	35,458,859	32,687,768
Federal loan program disbursements	(35,457,869)	(32,688,758)
Other uses	(409,057)	(176,885)
Net cash provided by noncapital financing activities	**182,797,895**	**193,845,471**
Capital and related financing activities:		
Cash paid for capital assets	(62,487,457)	(74,439,468)
Capital Appropriations Received	6,000,000	-
Capital grants and contracts received	18,157,451	8,447,094
Proceeds from sales of capital assets	39,417	966,450
Principal paid on capital debt	(5,580,000)	(5,355,000)
Interest paid on capital debt	(11,764,565)	(11,985,543)
Net cash used in capital and related financing activities	**(55,635,154)**	**(82,366,467)**
Investing activities:		
Proceeds from sales and maturities of investments	110,277,634	159,287,445
Interest received on investments	3,486,385	1,866,993
Purchases of investments	(133,701,946)	(153,818,616)
Net cash provided by (used in) investing activities	**(19,937,927)**	**7,335,822**
Net change in cash and cash equivalents	**(20,858,278)**	**(29,930,128)**
Cash and cash equivalents - beginning of year	**345,360,438**	**375,290,566**
Cash and cash equivalents - end of year	**$ 324,502,160**	**$ 345,360,438**

See accompanying notes to financial statements

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

	June 30	
	2017	**2016**
Reconciliation of operating loss to net cash used in operating activies:		
Operating Loss	$ (306,899,069)	$ (199,641,630)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	45,136,438	44,132,768
Self-insured claims expense	3,991,148	5,533,396
Bad debt cxpense	119,474,353	151,111,702
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	(106,833,971)	(186,639,218)
Loans to students	575,709	529,984
Inventories	(166,243)	(1,235,216)
Prepaid expenses	(946,973)	(3,548,337)
Other assets	7,985,105	(8,516,684)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(6,426,478)	10,717,010
Unearned revenues	251,983	2,111,117
Accrued leave liability	421,184	3,659,220
Net pension liability	113,639,448	46,321,745
Other liabilities	1,714,274	(13,280,811)
Total adjustments:	178,815,977	50,896,676
Net cash used in operating activities	$ (128,083,092)	$ (148,744,954)
Reconciliation of cash and cash equivalents:		
Current Assets - cash and cash equivalents	$ 173,950,157	$ 195,110,639
Noncurrent assets - cash and cash equivalents	150,552,003	150,249,799
Cash and cash equivalents - end of year	**324,502,160**	**345,360,438**
Noncash Transactions		
1.) Unrealized gain/(loss) on fair value of investments	$ 6,879,167	$ 1,714,080
2.) Bureau of Buildings and Grounds - construction in progress and buildings	26,497,201	22,195,345
3.) Donation of capital assets	130,350	159,984

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 14 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, 2017 and 2016 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 related deferred inflows.

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 related deferred outflows.

Deferred inflows and outflows related to pensions are related to the implementation of GASB 68, which was effective at the beginning of fiscal year 2015. See Note 13.

Net Pension Liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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) net pension liability 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 31.5% and 29.7 %, respectively, of the Medical Center's net patient service revenues for the year ended June 30, 2017, and approximately 31.3% and 29.4%, respectively, for the year ended June 30, 2016. 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.

Electronic Health Record Incentive Program – The Centers for Medicare & Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The Medical Center utilizes a grant accounting model to recognize EHR incentive revenues. The Medical Center records EHR incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. The EHR reporting period is based on the federal fiscal year, which runs from October 1 through September 30. The Medical Center received and recorded $5,067,483 and $4,793,693 for EHR incentive revenue for the fiscal year ending June 30, 2017 and 2016. This amount has been included in other operating revenues.

Hospital Reimbursement – The University Hospitals and Health System (UHHS) Medicare cost reports have been audited and settled by the fiscal intermediary through the cost reports filed for the year ended June 30, 2012 for the Jackson Campus, for the year ended June 30, 2016 for Holmes County Hospital, and for the year ended June 30, 2014 for UMMC Grenada.

During FY 2009, UHHS received notification that Medicare had designated the Recovery Audit Contractor (RAC) for the region that includes the State of Mississippi. The RAC program is intended to identify and recover improper Medicare payments made to health care providers as far back as three years from the current date. While UHHS believe all claims submitted to Medicare are supported by the services provided, the RAC could make adjustments based on differing interpretation of the regulations. Audits of Medicare claims began in FY 2010 and are expected to continue in the future. Based on recent audit experiences and reviews of planned audit activities, the reserve balance at the end of fiscal year 2017 was $2.25 million.

Note 1 – Summary of Significant Accounting Policies (continued)

Hospital Reimbursement (continued) – Over seven 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, UHHS 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 verses final payment rates for both inpatient and outpatient services. Since that time UHHS has repaid approximately $25.2 million through FY 2016 DOM for these and other claims adjustments. No repayments were made during FY17. At June 30, 2017, UHHS maintains a reserve of approximately $16.3 million for Medicaid rate recalculations and other adjustments for prior fiscal years.

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 – The IHL System adopted GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in fiscal year 2013, and, as a result, began reporting equity balances (previously referred to as Net Assets) as "Net Position". Net Position represents the difference between assets and liabilities in a statement of financial 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position (continued) – *Restricted, expendable* net position includes resources that the Medical Center is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

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

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

Note 2 – Cash and Investments

Policies

Cash, Cash Equivalents and Short-term Investments – Investment policies as set forth by the IHL Board 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.

Note 2 – Cash and Investments (continued)

A summary of cash and investments as of June 30, 2017 and 2016 is as follows:

Investment Type	2017	2016
Cash	$ 173,950,157	$ 195,110,639
Cash Designated for Capital and Debt Activities	104,297,077	92,274,734
Restricted Cash and Cash Equivalents	46,254,926	57,975,065
Certificate of Deposits	12,024,858	8,637,234
Collateralized Mortgage Obligations	10,624,240	10,291,599
Equity Hedge Fund	3,999,191	3,553,610
Fixed Income Hedge	3,125,004	2,835,224
International Equity Mutual Funds	5,581,257	4,758,159
Mortgage Backed Securities	218,496	354,574
Multi-strategy Hedge fund	5,583,838	5,117,618
Municipal Obligations	9,849,525	10,227,944
Mutual Funds Tax Exempt	23,908	23,787
Mutual Funds - Fixed Income	6,656,766	8,063,095
Mutual Funds Equity	12,043,565	8,923,859
Mutual Funds Cash & Equivalents	1,397	-
Mutual Fund - Dividend Reinvest held by bank	5,162,473	9,213,005
U.S. Treasury Bills	-	1,999,800
Partnerships	40,090,394	30,254,688
Short Term Investments	509,081	176,470
US Govt Obligations	98,504,488	79,624,305
Land	5,917,305	5,775,323
	$ 544,417,946	$ 535,190,732

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, 2017.

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Note 2 – Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. As of June 30, 2017 and 2016, the Medical Center had the following investments subject to interest rate risk:

2017

		Years to Maturity			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Collateralized Mortgage Obligations	$ 10,624,240	$ -	$ -	$ 984,058	$ 9,640,182
Mortgage Backed Securities	218,496		10,582	-	207,914
Municipal Obligations	9,849,525	901,863	5,955,142	1,907,820	1,084,700
Mutual Funds - Fixed Income	6,656,766		910,452	5,730,165	16,149
Certificates of Deposit	12,024,858	12,024,858			
U.S. Government Agency Obligations	98,504,488	79,356,276	11,197,892	7,950,320	-
Total	$ 137,878,373	$ 92,282,997	$ 18,074,068	$ 16,572,363	$ 10,948,945

2016

		Years to Maturity			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Collateralized Mortgage Obligations	$ 10,291,599	$ -	$ -	$ -	$ 10,291,599
Mortgage Backed Securities	354,574		-	-	354,574
Municipal Obligations	10,227,944	501,565	6,200,999	1,580,740	1,944,640
Mutual Funds - Fixed Income	8,063,095		8,047,225	7,896	7,974
Certificates of Deposit	8,637,234	8,637,234			
U.S. Government Agency Obligations	79,624,305	63,220,500	3,768,199	12,635,606	-
Total	$ 117,198,751	$ 72,359,299	$ 18,016,423	$ 14,224,242	$ 12,598,787

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, 2017 and 2016, the Medical Center had the following investments in credit risk:

2017

		Credit Risk Ratings			
Investment Type	Fair Value	Aa2	Aaa	Not Rated	Rating Not Available
Collateralized Mortgage Obligations	$ 10,624,240	$ -	$ -	$ 10,624,240	$ -
Mortgage Backed Securities	218,496	-	-	207,914	10,582
Municipal Obligations	9,849,525	9,326,345	-	523,180	-
Mutual Funds - Fixed Income	6,656,766	-	-	6,626,496	30,270
U.S. Government Agency Obligations	98,504,488	-	90,034,068	498,970	7,971,450
Total	$ 125,853,515	$ 9,326,345	$ 90,034,068	$ 18,480,800	$ 8,012,302

2016

		Credit Risk Ratings			
Investment Type	Fair Value	Aa2	Aaa	Not Rated	Rating Not Available
Collateralized Mortgage Obligations	$ 10,291,599	$ -	$ -	$ 10,291,599	$ -
Mortgage Backed Securities	354,574	-	55,337	285,448	13,789
Municipal Obligations	10,227,944	9,296,876	-	931,068	-
Mutual Funds - Fixed Income	8,063,095	-	-	8,063,095	-
U.S. Government Agency Obligations	79,624,305	-	77,888,945	735,410	999,950
Total	$ 108,561,517	$ 9,296,876	$ 77,944,282	$ 20,306,620	$ 1,013,739

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, 2017 and 2016, the Medical Center had the following issuers holding investments that exceeded 5% of total investments:

	2017		2016	
Issuer	Fair Value	%	Fair Value	%
Federal U.S. Treasury Cash Reserve Fund	$ -		$ 21,713,380	11.44%
Federal Farm Credit Bank Notes	28,797,184	13.10%	14,989,200	7.90%
Federal Home Loan Bank Notes	-		11,020,350	5.81%

Note 2 – Cash and Investments (continued)

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. As of June 30, 2017 and 2016, the Medical Center had the following exposure to foreign currency risk summarized and categorized by currency:

Internationl Equity Mutual Funds	2017	2016
European Euro	$ 111,625	$ 256,941
United Kingdom Pounds	641,845	568,600
Japan Yen	865,095	540,051
Hong Kong Dollars	184,181	199,846
India Rupee	932,070	563,842
China Renminbi	524,638	-
All other currency	410,222	623,319
	$ 3,669,676	$ 2,752,599

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:

- 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.

Note 2 – Cash and Investments (continued)

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, 2017 and 2016:

2017	Level 1	Level 2	Level 3	Total
Fixed income investments:				
U.S. Government securities	$ -	$ 98,722,984	$ -	$ 98,722,984
Certificates of deposit		12,024,858		12,024,858
Municipal Obligations		9,849,525		9,849,525
Other fixed income securities		10,624,240		10,624,240
Total fixed income investments	$ -	$ 131,221,607	$ -	$ 131,221,607
Equities securities:				
Mutual funds	23,888,109			23,888,109
International Equity	5,581,257			5,581,257
Total equity securities	$ 29,469,366	$ -	$ -	$ 29,469,366
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				$ 52,798,427
Land				5,917,305
Other miscellaneous investments				509,081
Total investments measured at NAV				59,224,813
Total investments measured at fair value				$ 219,915,786

2016	Level 1	Level 2	Level 3	Total
Fixed income investments:				
U.S. Government securities	$ -	$ 81,978,681	$ -	$ 81,978,681
Certificates of deposit		8,637,234		8,637,234
Municipal Obligations		10,227,944		10,227,944
Other fixed income securities		10,291,599		10,291,599
Total fixed income investments	$ -	$ 111,135,458	$ -	$ 111,135,458
Equity securities:				
Mutual funds	26,223,745			26,223,745
International Equity	283,342			283,342
Total equity securities	$ 26,507,087	$ -	$ -	$ 26,507,087
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				$ 46,235,956
Land				5,775,323
Other miscellaneous investments				176,470
Total investments measured at NAV				52,187,749
Total investments measured at fair value				$ 189,830,294

Note 2 – Cash and Investments (continued)

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

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Equity long/short hedge funds	$ 52,798,427	$ 433,414	Quarterly	75 Days
Land	5,917,305	-		
Other Miscellaneous investments	509,081	-	Various	Various
Total Investements Measured at NAV	$ 59,224,813			

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Equity long/short hedge funds	$ 46,235,956	$ 903,599	Quarterly	75 Days
Land	5,775,323	-		
Other Miscellaneous investments	176,470	-	Various	Various
Total Investements Measured at NAV	$ 52,187,749			

Note 3 – Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017 and 2016, respectively:

	2017		2016	
Student tuition	$	3,240,373	$	4,544,572
Auxiliary enterprises and other operating activities		25,300		28,286
Federal, state, and private grants and contracts		18,437,940		19,921,977
Contributions and Gifts		-		5,029,714
State appropriations		787,461		639,622
Accrued interest		339,821		347,914
Patient income		614,158,413		688,843,630
Other		11,927,595		18,426,561
Total accounts receivable		648,916,903		737,782,276
Less allowance for doubtful accounts		471,413,333		542,768,986
Net accounts receivable	$	177,503,570	$	195,013,290

	2017		2016	
Current portion of Accounts Receivable	$	173,606,006	$	190,753,570
Non-current portion of Accounts Receivable		3,897,564		4,259,720
Net accounts receivable	$	177,503,570	$	195,013,290

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, 2017 and 2016, respectively:

	Interest Rates	2017	Current Portion	Non-Current Portion
Perkins student loans	5%	$ 5,546,179	$ 295,572	$ 5,250,607
Nursing student loans	3% to 5%	776,637	84,246	692,391
Medical student loans	5%	187,793	14,357	173,436
Dental student loans	5%	484,145	34,592	449,553
Institutional loans	0% to 10%	1,835,095	140,024	1,695,071
Total notes receivable		8,829,849	568,791	8,261,058
Less allowance for doubtful accounts		1,990,573	56,879	1,933,694
Net notes receivable		$ 6,839,276	$ 511,912	$ 6,327,364

	Interest Rates	2016	Current Portion	Non-Current Portion
Perkins student loans	3% to 5%	$ 5,842,045	$ 270,885	$ 5,571,160
Nursing student loans	3% to 5%	679,498	90,361	589,137
Medical student loans	3% to 5%	169,517	12,772	156,745
Dental student loans	3% to 5%	460,519	39,665	420,854
Institutional loans	0% to 10%	2,253,979	270,219	1,983,760
Total notes receivable		9,405,558	683,902	8,721,656
Less allowance for doubtful accounts		1,969,844	68,390	1,901,454
Net notes receivable		$ 7,435,714	$ 615,512	$ 6,820,202

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017 and 2016, respectively, is presented as follows:

.	06/30/2016	Additions	Deletions / Transfers	06/30/2017
Nondepreciable Capital Assets:				
Land	$ 8,452,078	$ 971,363	$ -	$ 9,423,441
Construction in Progress	115,096,270	75,489,061	20,884,551	169,700,780
Total Nondepreciable Capital Assets	123,548,348	76,460,424	20,884,551	179,124,221
Depreciable Capital Assets:				
Buildings	$ 486,231,155	$ 9,136,543	$ -	$ 495,367,698
Improvements other than Buildings	12,888,792	-	-	12,888,792
Equipment	386,073,495	22,071,144	6,913,291	401,231,348
Library Books	54,443,301	3,567,080	8,114	58,002,267
Total Depreciable Capital Assets	939,636,743	34,774,767	6,921,405	967,490,105
Total Capital Assets	1,063,185,091	111,235,191	27,805,956	1,146,614,326
Less Accumulated Depreciation for:				
Buildings	$ 160,434,885	$ 11,634,227	$ -	$ 172,069,112
Improvements other than Buildings	6,889,585	564,687	-	7,454,272
Equipment	242,080,971	30,191,932	6,541,665	265,731,238
Library Books	41,863,090	2,745,592	8,114	44,600,568
Total Accumulated Depreciation	451,268,531	45,136,438	6,549,779	489,855,190
Capital Assets, Net	$ 611,916,560	$ 66,098,753	$ 21,256,177	$ 656,759,136

	06/30/2015	Additions	Deletions / Transfers	06/30/2016
Nondepreciable Capital Assets:				
Land	$ 9,269,480	$ 711,554	$ 1,528,956	$ 8,452,078
Construction in Progress	51,724,510	72,326,875	8,955,115	115,096,270
Total Nondepreciable Capital Assets	60,993,990	73,038,429	10,484,071	123,548,348
Depreciable Capital Assets:				
Buildings	$ 485,641,104	$ 1,609,816	$ 1,019,765	$ 486,231,155
Improvements other than Buildings	11,794,472	1,094,320	-	12,888,792
Equipment	367,014,418	28,882,494	9,823,417	386,073,495
Library Books	51,355,302	3,148,609	60,610	54,443,301
Total Depreciable Capital Assets	915,805,296	34,735,239	10,903,792	939,636,743
Total Capital Assets	976,799,286	107,773,668	21,387,863	1,063,185,091
Less Accumulated Depreciation for:				
Buildings	$ 148,890,189	$ 11,565,099	$ 20,403	$ 160,434,885
Improvements other than Buildings	6,366,518	523,067	-	6,889,585
Equipment	221,629,260	29,428,538	8,976,827	242,080,971
Library Books	39,307,636	2,616,064	60,610	41,863,090
Total Accumulated Depreciation	416,193,603	44,132,768	9,057,840	451,268,531
Capital Assets, Net	$ 560,605,683	$ 63,640,900	$ 12,330,023	$ 611,916,560

Note 5 – Capital Assets (continued)

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

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

Note 6 – Deferred Outflows of Resources

Deferred outflows of resources as of June 30, 2017 and 2016, respectively, are as follows:

	2017	2016
Implementation of GASB 68 - Accounting and Reporting for Pensions:		
Difference between Expected and Actual Experience	$ 35,942,704	$ 24,941,765
Difference between Projected and Actual Investment Earnings	87,296,752	-
Changes in Assumptions	60,747,660	93,689,698
Changes in Proportionate Share	43,206,948	43,580,232
Contributions Subsequent to the Measurement Date	72,220,191	71,818,771
Accumulated Deferred Amount of Debt Refunding	4,047,280	4,283,040
Acquisition of Grenada Radiology Imaging	107,200	150,080
	$ 303,568,735	$ 238,463,586

Note 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2017 and 2016, respectively, are as follows:

	2017	2016
Payable to vendors and contractors	$ 48,654,447	$ 58,038,813
Accrued salaries, wages and employee withholdings	45,518,364	44,648,660
Accrued interest	1,057,592	1,074,875
Due to University Physicians, PLLC	6,559,768	6,584,181
Other	-	373,656
Total	$ 101,790,171	$ 110,720,185

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

Note 8 – Unearned Revenues

Unearned revenues as of June 30, 2017 and 2016, respectively, are as follows:

	2017	2016
Unearned school revenue	$ 6,533,477	$ 6,305,335
Unearned grants and contracts revenue	10,057,573	10,033,732
Other unearned revenue	1,350	1,350
Total	$ 16,592,400	$ 16,340,417

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, 2017 and 2016, respectively. Other long-term liabilities and notes payable consist of accrued leave liabilities, net pension 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, 2017 and 2016, respectively, is listed in the following schedules.

Note 9 – Long-term Liabilities (continued)

	Original Issue	Annual Interest Rate	Maturity	June 30, 2016	Additions	Deletions	June 30, 2017	Due Within One Year
Bonded Debt								
Series 1998B	$ 41,075,000	3.88% to 5.90%	2024	$ 23,670,000	$ -	$ -	$ 23,670,000	$ 2,865,000
Series 2009	105,605,000	2.00% to 5.00%	2034	79,544,284	-	5,199,405	74,344,879	2,604,405
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	2,371,333	-	564,083	1,807,250	579,083
Series 2012A	51,860,000	4.00% to 5.00%	2041	52,965,061	-	44,202	52,920,859	44,202
Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	-	-	53,390,000	-
Total Bonded Debt				256,810,678	-	5,807,690	251,002,988	6,092,690
Other Long-term Liabilities								
Accrued leave liabilities				58,707,043	6,016,427	5,595,243	59,128,227	4,941,170
Federal portion of Federal student loans				4,830,322	113,069	489,580	4,453,811	-
Tort claim liability				33,000,000	2,352,504	-	35,352,504	4,877,000
Net pension liability				1,087,561,173	273,088,660	71,818,771	1,288,831,062	-
Total Other Long-term Liabilities				1,184,098,538	281,570,660	77,903,594	1,387,765,604	9,818,170
Total				1,440,909,216	281,570,660	83,711,284	1,638,768,592	15,910,860
Due within one year							15,910,860	
Total long-term liabilities							$ 1,622,857,732	

	Original Issue	Annual Interest Rate	Maturity	June 30, 2015	Additions	Deletions	June 30, 2016	Due Within One Year
Bonded Debt								
Series 1998B	$ 41,075,000	3.88% to 5.90%	2024	$ 23,670,000	$ -	$ -	$ 23,670,000	$ -
Series 2009	105,605,000	2.00% to 5.00%	2034	84,548,689	-	5,004,405	79,544,284	5,199,405
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	2,905,416	-	534,083	2,371,333	564,083
Series 2012A	51,860,000	4.00% to 5.00%	2041	53,009,264	-	44,203	52,965,061	44,202
Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	-	-	53,390,000	-
Total Bonded Debt				262,393,369	-	5,582,691	256,810,678	5,807,690
Other Long-term Liabilities								
Accrued leave liabilities				55,047,823	8,371,322	4,712,102	58,707,043	4,394,887
Federal portion of Federal student loans				5,043,985	117,892	331,555	4,830,322	-
Tort claim liability				33,000,000	-	-	33,000,000	4,984,000
Net pension liability				821,435,313	339,073,151	72,947,291	1,087,561,173	-
Total Other Long-term Liabilities				914,527,121	347,562,365	77,990,948	1,184,098,538	9,378,887
Total				1,176,920,490	347,562,365	83,573,639	1,440,909,216	15,186,577
Due within one year							15,186,577	
Total long-term liabilities							$ 1,425,722,639	

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.

Associated with the refunding is an amount related to the 2008A and 2008B bonds for the 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. The unamortized balance is being reported on the Statement of Net Position as a deferred amount of debt refunding, a deferred outflow of resources. The unamortized balance of the interest rate swap termination payment was $4,047,280 and $4,283,040 at June 30, 2017 and 2016, 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.

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.

Note 9 – Long-term Liabilities (continued)

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.

Scheduled maturities of bonded debt at June 30, 2017 are as follows:

Fiscal Year Ended:	Principal	Interest	Total
2018	$ 6,092,690	$ 12,352,975	$ 18,445,665
2019	6,372,690	12,071,138	18,443,828
2020	6,672,690	11,769,750	18,442,440
2021	6,983,607	11,460,646	18,444,253
2022	7,338,607	11,093,838	18,432,445
2023-2027	39,933,036	49,771,400	89,704,436
2028-2032	49,583,036	38,581,756	88,164,792
2033-2037	63,779,822	24,417,913	88,197,735
2038-2041	64,246,810	7,259,357	71,506,167
Totals	$ 251,002,988	$ 178,778,773	$ 429,781,761

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:

2018	$ 13,587,365
2019	12,924,551
2020	12,023,728
2021	11,365,632
2022	10,833,352
2023-2027	48,753,781
2028-2032	37,496,567
2033-2034	3,510,000
Total Minimum Payments Required	$ 150,494,976

The total rental expense for all operating leases, except those renewed with terms of a month or less that were renewed, for the fiscal years ending June 30, 2017 and 2016 was $13,879,781 and $14,514,259, respectively.

Note 11 – Natural Classifications with Functional Classifications

The Medical Center's operating expenses by functional classification were as follows for the year ended June 30, 2017:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$ 92,999,455	$ 36,816,111	$ 1,873,025	$ 5,388,889	$ -	$ -	$ 3,589,532	$ -	$ -	$ 140,667,012
Hospital Instruction	27,796,736	13,554,284	21,057	6,424,773	-	-	101,901	-	-	47,898,751
Research	29,015,932	11,928,548	810,596	6,415,973	-	-	2,889,446	-	-	51,060,495
Public Service	6,773,100	2,994,066	333,460	3,343,597	19,446	-	753,808	-	-	14,217,477
Academic Support	10,031,503	4,101,882	374,390	1,474,627	-	-	875,282	-	-	16,857,684
Student Services	920,476	422,831	16,110	153,434	-	-	82,802	-	-	1,595,653
Institutional Support	54,532,962	25,393,411	504,199	36,483,027	-	-	2,256,995	-	-	119,170,594
Operation of Plant	10,218,329	5,184,950	8,805	8,592,170	10,280,978	-	1,681,854	-	-	35,967,086
Student Aid	-	-	-	-	-	4,963,022	-	-	-	4,963,022
Auxiliary Enterprises	1,459,088	736,104	6,215	1,113,126	170,667	-	2,302,226	-	-	5,787,426
Depreciation	-	-	-	-	-	-	-	45,136,438	-	45,136,438
Hospital	477,141,799	198,644,618	1,763,545	110,756,191	942,458	-	238,332,510	-	-	1,027,581,121
Loan Fund	-	-	-	-	-	-	-	-	141,555	141,555
Total Operating Expenses	710,889,380	299,776,805	5,711,402	180,145,807	11,413,549	4,963,022	252,866,356	45,136,438	141,555	1,511,044,314

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, 2016:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$ 98,430,898	$ 30,193,429	$ 573,811	$ 4,863,253	$ -	$ -	$ 4,259,819	$ -	$ -	$ 138,321,210
Hospital Instruction	26,859,198	10,578,158	-	5,277,550	-	-	175,677	-	-	42,890,583
Research	15,802,695	5,318,875	715,751	5,504,370	-	-	5,092,651	-	-	32,434,342
Public Service	6,202,912	2,137,743	427,337	2,834,357	17,617	-	805,774	-	-	12,425,740
Academic Support	9,281,013	3,175,531	424,926	1,718,147	-	-	1,138,160	-	-	15,737,777
Student Services	901,639	333,306	11,250	58,129	-	-	128,571	-	-	1,432,895
Institutional Support	60,738,089	20,840,884	691,755	43,163,642	-	-	4,453,540	-	-	129,887,910
Operation of Plant	10,272,451	4,267,223	4,801	11,159,341	10,792,620	-	2,220,700	-	-	38,717,136
Student Aid	-	-	-	-	-	6,321,715	-	-	-	6,321,715
Auxiliary Enterprises	695,262	280,480	1,319	697,099	220,199	-	1,845,551	-	-	3,739,910
Depreciation	-	-	-	-	-	-	-	44,132,768	-	44,132,768
Hospital	469,158,933	153,570,336	3,066,441	95,259,546	968,448	-	259,046,269	-	-	981,069,973
Loan Fund	-	-	-	-	-	-	-	-	155,579	155,579
Total Operating Expenses	$ 698,343,090	$ 230,695,965	$ 5,917,391	$ 170,535,434	$ 11,998,884	$ 6,321,715	$ 279,166,712	$ 44,132,768	$ 155,579	$ 1,447,267,538

Note 12 – Construction Commitments and Financing

The Medical Center has contracted for various construction projects as of June 30, 2017. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	Remaining Estimated Costs to Complete	Funded by Federal Sources	State Sources	Institutional Funds	Other
School of Medicine	$ 11,534,168	$ -	$ 11,534,168	$ -	$ -
ECM Lighting Upgrades	27,137	-	27,137	-	-
Renovate Lexington Hospital Emergency Dept	718,742	-	-	718,742	-
Cancer & Biomedical Research Center	5,219,739	-	-	5,219,739	-
Parking Garage C	591,659	-	-	591,659	-
Renovate SOD Restrooms	49,927	-	-	49,927	-
Install Modular Building Lexington Hospital	393,500	-	-	393,500	-
Renovate Interventional Radiology Waiting Area	28,600	-	-	28,600	-
Renovate CV003 Radiology	3,563,713	-	-	3,563,713	-
Ticket Dispenser Replacement Lots 17 & 21	132,674	-	-	132,674	-
Renovate SOM Exterior Entrance	479,337	-	-	479,337	-
Renovate Main Pharmacy	3,795,848	-	-	3,795,848	-
Renovate for Linear Accelerator	147,097	-	-	147,097	-
Install Sterilization Equipment in WC002	838,752	-	-	838,752	-
Construct EDH Funded Project	57,555	-	-	57,555	-
Renovate Pavilion Coffee Shop	244,040	-	-	244,040	-
Reroof URC Building	28,553	-	-	28,553	-
Renovate MRI Grenada	10,000	-	-	10,000	-
Renovate Radiology Building	504,808	-	-	504,808	-
SOM Infrastructure Contract II	382,793	382,793	-	-	-
Renovate E008-A	49,304	-	-	49,304	-
Lakeland Wellness Repairs	1,220,636	-	-	1,220,636	-
Grenada NICU Renovations	35,000	-	-	35,000	-
ED Overflow Renovations	423,937	-	-	423,937	-
Meridian Conference Room	240,907	-	-	240,907	-
Children's Neurodiagnostics Renovations	75,441	-	-	75,441	-
Re-roof Farmer's Market	312,519	-	-	312,519	-
Dental School Drainage	17,761	-	-	17,761	-
Baston Children's Hospital Expansion	9,384,337	-	5,945,840	75,000	3,363,497
Install Emergency Power LP Building	143,249	-	-	143,249	-
Renovate ICU Waiting Rooms	298,377	-	-	298,377	-
GE MRI Replacement	632,968	-	-	632,968	-
Renovate Farmer's Market	348,427	280,000	-	-	68,427
Lab Space for Pre-Anesthesia Testing	354,485	-	-	354,485	-
Campus Security Upgrades	34,408	-	-	34,408	-
Renovate Lab into Pathology Space	474,592	-	-	474,592	-
Relocate Radiology Reading Rooms	269,228	-	-	269,228	-
Renovate Pediatric Pharmacy in W101-02	994,614	200,000	-	794,614	-
Stairwell 12 Exit Access	337,941	-	-	337,941	-
Install Doors in Critical Tower	567,565	-	-	567,565	-
Renovate Children's MRI	975,232	-	-	975,232	-
Total	$ 45,939,570	$ 862,793	$ 17,507,145	$ 24,137,708	$ 3,431,924

Note 13 – Pension and Other Employee Benefit Plans

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

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

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, 2016 and 2015 for fiscal years 2017 and 2016, respectively.

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 board 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.

Disclosure under GASB 68 – The pension disclosures that follow for fiscal years 2017 and 2016 include all disclosures for GASB 68 using the latest valuation reports available (June 30, 2016). For fiscal year 2017, the measurement date for the PERS defined benefit plan is June 30, 2016. For fiscal year 2016, the measurement date for the PERS defined benefit plan is June 30, 2015. The Medical Center is presenting net pension liability as of June 30, 2016 and 2015 for the fiscal year 2017 and 2016 financials, respectively.

(a) PERS Defined Benefit Plan

Plan Description – The Public Employees' Retirement System of Mississippi (PERS) 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, and 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.

Note 13 – Pension Plan (continued)

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.

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 are required to contribute 9% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2017 and 2016, was 15.75% 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% 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 3.0% 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.

Note 13 – Pension Plan (continued)

Employer Contributions – The University of Mississippi Medical Center's contributions to PERS for the years ended June 30, 2017 and 2016 were $73.7 million and $72.7 million, respectively. The Medical Center's proportionate share was calculated on the basis of historical contributions. Although GASB 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 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 pension amount reported:

Plan	Proportionate share of contributions	Allocation percentage of proportionate share of collective pension amount	Change in proportionate share of collective pension amount
PERS Defined Benefit:			
2017	$ 72,698,781	7.215291 %	0.179716 %
2016	69,227,945	7.035575	0.268201

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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
U.S. Broad	34.00 %	5.20 %
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
	100.00 %	

Note 13 – Pension Plan (continued)

Net Pension Liability – The University of Mississippi Medical Center's proportion of the net pension liability at June 30, 2017 and 2016 is as follows:

Plan	Proportion of net pension liability	Porportionate share of net pension liability
PERS Defined Benefit:		
2017	7.215291 %	$ 1,288,831,062
2016	7.035575	1,087,561,173

Discount rate – For the years ended June 30, 2017 and 2016, 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 (15.75%) for the years ended June 30, 2017 and 2016. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The following tables present The University of Mississippi Medical Center's proportionate share of the net pension liability of the cost-sharing plan for 2017 and 2016, calculated using the discount rate of 7.75%, as well as what the Medical Center's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) 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			
2017	$ 1,652,570,383	$ 1,288,831,062	$ 987,045,329
2016	1,433,505,232	1,087,561,173	800,492,246

Actuarial Assumptions and Methods – 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The latest experience study was performed after the June 30, 2016 valuation was complete; it covers the four-year period from July 1, 2012 to June 30, 2016 and was issued on April 18, 2017.

Note 13 – Pension Plan (continued)

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the years ended June 30, 2017 and 2016:

	2017	2016
Valuation date	June 30, 2016	June 30, 2015
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	3.00 %	3.00 %
Salary increases	3.75	3.75
Investment rate of return	7.75	7.75

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with male rates set forward one year.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions – For the years ended June 30, 2017 and 2016, The University of Mississippi Medical Center's non-cash change in net pension liability and related deferred inflows and outflows was $113.6 million and $46.3 million, respectively, related to the PERS defined benefit plan. Deferred outflows of resources were related to differences between expected and actual experience, differences between projected and actual investment earnings 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.

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

2017								
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	Net difference between projected and actual investment earnings on pension plan investments	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
$ 35,942,704	60,747,660	43,206,948	72,220,191	87,296,752	299,414,255	-	3,424,215	$ 3,424,215

Note 13 – Pension Plan (continued)

2016								
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	Net difference between projected and actual investment earnings on pension plan investments	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
$ 24,941,765	93,689,698	43,580,232	71,818,771	-	234,030,466	25,670,867	-	$ 25,670,867

Contributions subsequent to the measurement date of $72.2 million and $71.8 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the years ended June 30, 2018 and 2017, respectively.

Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions as of June 30, 2017, will be recognized in pension expense as follows:

Deferred Outflow of Resources Year Ended June 30				
2018	2019	2020	2021	Total
$ 88,773,959	63,201,241	49,580,453	25,638,411	$ 227,194,064

Deferred Inflow of Resources Year Ended June 30				
2018	2019	2020	2021	Total
$ 1,380,732	1,380,732	662,751	-	$ 3,424,215

(a) ORP 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 of The University of Mississippi Medical Center 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 IHL System employees and in the event of death, 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 IHL System are identical to that of the PERS defined contribution plan.

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, 2017 and 2016 were $26.1 million and $25.1 million, respectively, which equaled its required contribution for the period.

Note 14 – 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, 2017 and 2016 is listed in the following schedule:

	2017	2016
Current assets	$ 6,923,119	$ 6,654,876
Noncurrent asset	241,617,657	246,801,871
Total assets	248,540,776	253,456,747
Deferred Outflows of Resources	4,047,280	4,283,040
Current liabilities	6,922,592	6,654,875
Noncurrent liabilities	245,137,989	251,230,679
Total liabilities	252,060,581	257,885,554
Total net position	$ 527,475	$ (145,767)
Operating revenues	11,782,747	12,001,672
Operating expenses	11,109,505	11,070,760
Total operating income (loss)	673,242	930,912
Nonoperating revenues	-	-
Nonoperating expenses	-	-
Total nonoperating revenues (expenses)	-	-
Change in net position	$ 673,242	$ 930,912

Note 15 – Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure was $18,256,063 and $14,204,245 as of June 30, 2017 and 2016, 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 16 – Federal Loan Program Disbursements

The Medical Center distributed federal loan funds for the year ended June 30, 2017 and 2016 as follows:

	2017	2016
William D. Ford Direct Loan Program	$ 34,273,442	$ 31,571,765
Federal Perkins Loan Program	834,840	952,695
Health and Human Services Loan Program	349,587	164,298
Total	$ 35,457,869	$ 32,688,758

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

Note 17 – 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.

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%

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%

Notes to Required Supplementary Information (Unaudited)
June 30, 2017

(1) Schedule of Proportionate Share of Net Pension Liability

This schedule presents historical trend information about The University of Mississippi 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. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

(2) Schedule of Proportionate Share of IHL System's Contributions

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.

(3) Changes in Assumptions and Benefit Terms

Changes of assumptions: Amounts reported for fiscal year 2017 reflect no changes in assumptions. In fiscal year 2016, price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes of benefit terms: Amounts reported for fiscal year 2017 and 2016 reflect no changes in benefit terms.