Financial Report

June 30, 2013

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 2013 with fiscal years 2012 and 2011 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.

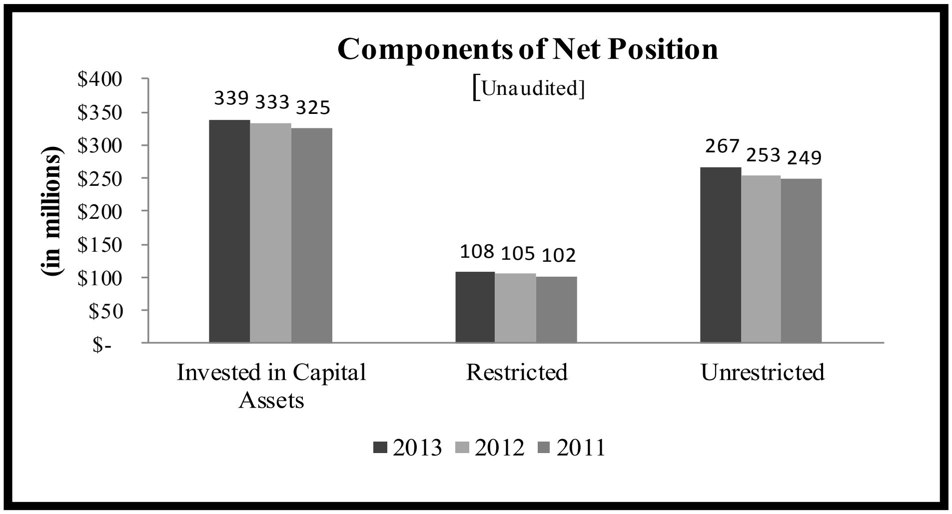
The Medical Center

The Medical Center is five 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.

The following graph illustrates the comparative change in net position by category for fiscal years 2013, 2012 and 2011:



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, *invested in capital assets, net of debt*, 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.

Statement of Net Position (continued)

Statements of Net Position (in thousands) [Unaudited]	2013	2012	2011
Assets			
Current Assets	$ 395,406	$ 333,899	$ 270,946
Capital Assets, Net	541,902	523,814	463,462
Other Assets	251,621	303,499	278,889
Total Assets	1,188,929	1,161,212	1,013,297
Deferred Outflows	4,991	5,226	5,462
Liabilities			
Current Liabilities	130,709	125,558	95,599
Noncurrent Liabilities	349,409	350,365	250,379
Total Liabilities	480,118	475,923	345,978
Deferred Inflows	-	-	-
Net Position			
Invested in Capital Assets, Net of Debt	338,517	332,564	322,682
Restricted - Expendable	83,784	84,853	82,183
Restricted - Nonexpendable	24,369	20,449	19,392
Unrestricted	267,132	252,649	248,524
Total Net Position	$ 713,802	$ 690,515	$ 672,781

At June 30, 2013 current assets totaled $395.4 million and consisted primarily of cash and cash equivalents, short term investments and net receivables. Current assets increased 18.4% ($61.5 million) from June 30, 2012.

Cash and cash equivalents increased $28.5 million from 2012. Most of this increase was due to restricted cash set aside for the EPIC implementation being unrestricted due to the completion of the EPIC project.

Short term investments increased $13.2 million from 2012. Medical Center personnel invested in short-term bank certificate of deposits to obtain higher rates of interest.

Several factors resulted in a $17 million increase over 2012 in the current portion of accounts receivable. On September 1, 2012, the Medical Center consolidated the business operations related to University Physicians, PLLC under the Medical Center umbrella. As a result of the consolidation, for fiscal year 2013 there was an additional $30.4 million in related patient accounts receivable related to the University Physicians. In addition, in fiscal year 2013, the medical center received a final payment of $1.3 million from Premier (the former group purchasing partner) for our equity in the group plan.

Capital assets, net of accumulated depreciation, increased $18 million from 2012. Additional detail on capital assets can be found in Note 6 of the *Notes to the Financial Statements*

Current liabilities consist primarily of accounts payable to vendors and salaries and wages payable. At June 30, 2013, current liabilities totaled $130.7 million, an increase of $5.1 million over 2012. In fiscal year 2013, there was an increase in accounts payable and accrued liabilities due to the posting of a payable to the University Physicians, PLLC in the amount of $18.3 million, a decrease in other current liabilities of $9 million, and a decrease in accrued salaries, wage and fringe of $4 million.

Since June 30, 2011, current liabilities have increased $35.1 million. The $29.4 million increase in fiscal year 2012 over 2011 was due primarily to a $13.8 million increase in accounts payable and other accrued expenses, a $9.1 million increase in unearned revenues and an $8.5 million increase in other current liabilities. Prior to our new accounting system (Lawson) go-live on July 1, 2011, the Medical Center paid a significant portion of our invoices early before the due date in order to minimize the volume on our system conversion of orders to the new Lawson system. In 2012, the Medical Center incurred a liability of $3.4 million in FICA refunds due to former employees classified as residents that had deductions taken that were determined to be reimbursable to them.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end (June 30th). Noncurrent liabilities decreased less than one million in 2013. Total long term liabilities increased $95 million from 2011 to 2013. The Medical Center Educational Building Corporation issued $105.2 million in new bonds in 2012 to finance capital debt projects.

The consumption of assets follows the Medical Center's policy to use available resources to meet the goals of the institution in the areas of instruction, research, patient care and public service.

The total assets of the Medical Center increased $27.7million in 2013. Total liabilities for the year increased $4.2 million. Unrestricted net position increased $14.5 million.

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 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, "increase 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.

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

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

	2013	2012	2011
Operating Revenues	$ 940,336	$ 839,433	$ 782,611
Operating Expenses	1,111,562	996,715	984,546
Operating Loss	(171,226)	(157,282)	(201,935)
Net Nonoperating Revenues and Expenses	184,103	164,898	181,175
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	12,877	7,616	(20,760)
Other Revenues, Expenses, Gains Or Losses	10,410	10,118	10,103
Net Increase in Net Position	23,287	17,734	(10,657)
Net Position at Beginning of Year	687,836	672,781	686,788
Cumulative Effect of Changes in Accounting Principle	-	-	(3,350)
Prior Period Adjustments	2,679	-	-
Net Position at Beginning of Year Restated	690,515	672,781	683,438
Net Position at End of Year	$ 713,802	$ 690,515	$ 672,781

The largest sources of operating revenues were from patient care and grants and contracts. Net patient care revenues showed a $109 million increase in 2013 over 2012. The majority of this increase in 2013 was due to recognition of $102.7 million in the university physician revenues as a result of the consolidation with the medical center on September 2, 2012. The increase in the 2012 year over 2011 year was primarily due to increases in reimbursements from commercial and governmental payors and increases in patient volume.

Federal Grants and Contracts revenues decreased $8.7 million in 2013 over 2012. This reduction was mainly due to a reduction in federal grants awarded due to the recent economic conditions. In 2012 grants revenues declined $7.8 million as compared to 2011. This was largely due to a $7.6 million decrease in state grants and contracts. The majority of the decrease was related to a $2.5 million decrease in revenue for the Cancer Institute and a $1.7 million decrease in revenue for the medical center ACT Center funding.

Tuition and fees, net of scholarship allowances, showed an increase of $2.7 million from $18.5 million in 2012 to $21.2 million in 2013.This increase was due to tuition increases and larger class sizes.

The largest category of operating expenses is salaries, wages and fringe benefits, representing 64.3% of the total operating expenses. There was a $94.4 million increase in salaries, wages and fringes in 2013 which was due to the consolidation of University Physicians, PLLC and the Medical Center.

The Medical Center relies heavily on funding from state appropriations. The state appropriation funding declined significantly in 2013 over 2012. The regular state appropriations declined from $211.87 million in 2012 to $177 million in 2013. The state appropriation restricted for capital purposes increased $2.7 million in 2013 over 2012.

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.

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

[Unaudited]

	2013	2012	2011
Cash provided (used) by:			
Operating Activities	$ (138,557)	$ (114,452)	$ (190,783)
Noncapital financing activites	192,956	167,454	188,018
Capital and related financing activites	(74,538)	(3,001)	(101,633)
Investing activities	(6,844)	(27,815)	85,293
Net Change in Cash	(26,983)	22,186	(19,105)
Cash and cash equivalents, beginning of the year	327,309	305,123	324,228
Cash and cash equivalents, end of the year	$ 300,326	$ 327,309	$ 305,123

The condensed statements illustrate the composition of cash sources and uses of funds for fiscal years 2013, 2012 and 2011. Major sources of cash generated from operating activities for fiscal year 2013 were patient care services totaling $773.2 million and grants and contracts totaling $60.4 million. Major uses of operating cash in 2013 were for payments to employees for salaries, wages and fringe benefits totaling $702.8 million and payments to suppliers totaling $321 million.

In 2013, the major sources of cash flows from noncapital financing activities were $176.9 million in state appropriations and $7.95 million from gifts and grants for other than capital purposes.

In 2013, major sources of capital financing cash were only $1.6 million in cash paid for capital assets as compared to the $106.5 million in proceeds received in 2012 from capital debt financing from EBC bond issues. Major outlays in 2013 were $58.2 million paid for purchases of capital assets as compared to $96.7 million for purchases of capital assets in 2012.

A major source of cash from investing activities was $77.2 million proceeds from the sale and maturities of investments. A major use of cash in 2013 was purchases of investments totaling a net of $91.4 million.

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 order to support 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 $5 million in 2013 over 2012. See Note 10 of the Notes to the Financial Statements.

Financial Highlights

The Medical Center's financial position has shown an improvement each year for the past three years. Since 2011 operating revenues have increased from $782.6 million in 2011 to $839.4 million in 2012 and to $940.3 million in 2013. This represents an increase in operating revenues of $157.7 over a three year period. Patient care revenues represent the majority of the increase. Total operating expenses have increased $127 million since 2011.

The Medical Center's improved financial results are a product of many different factors. Management continues to hold down expenses, 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.

Subsequent Events

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. The Medical Center will enter into a lease to become fully responsible for the operation of the 156-bed hospital on January 1, 2014.

Economic Outlook

The Medical Center continues to see a smaller percentage of total revenues from State Appropriations. 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.

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. The Affordable Care Act continues to put pressure on the health care industry to reduce costs while improving the quality of care. At the same time, costs for medical equipment and supplies continue to grow faster than general inflation.

Medical Center management, faculty and staff are committed to improving the health status of all Mississippians through our missions of education, research, and healthcare. Medical Center management believes its investment in Information Technology, as well as the consolidation of the practice plan, positions the Medical Center for success under health care reform and the continued challenges and opportunities it will bring.

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

	June 30 2013	June 30 2012
Assets		
Current Assets:		
Cash and Cash Equivalents (note # 3)	$ 161,104,338	$ 132,617,551
Short Term Investments (note # 3)	40,728,571	27,513,047
Accounts Receivable, Net (note # 4)	165,115,434	148,074,992
Student Notes Receivable, Net (note # 5)	2,230,999	2,111,021
Inventories	22,331,618	21,109,265
Prepaid Expenses	3,380,122	1,862,332
Other Current Assets	515,000	610,713
Total Current Assets	**395,406,082**	**333,898,921**
Noncurrent Assets:		
Cash Designated for Capital and Debt Activities (note #3)	36,924,039	73,406,642
Restricted Cash and Cash Equivalents (note #3)	102,297,312	121,285,077
Restricted Short Term Investments (note #3)	1,011,130	850,000
Endowment Investments (note # 3)	63,468,907	57,209,520
Other Long Term Investments (note # 3)	36,528,591	38,567,493
Accounts Receivable, Net (note # 4)	4,725,858	5,144,107
Student Notes Receivable, net (note # 5)	6,665,090	7,035,789
Capital Assets, Net (note # 6)	541,901,959	523,814,386
Total Noncurrent Assets	**793,522,886**	**827,313,014**
Total Assets	**1,188,928,968**	**1,161,211,935**
Deferred Outflows of Resources:		
Deferred Loss on Debt Refunding (note # 7)	**4,990,320**	**5,226,080**
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (note # 8)	84,324,436	71,022,979
Unearned Revenues (note # 9)	12,277,716	12,251,612
Accrued Leave Liabilities - Current Portion (note # 10)	4,032,964	2,637,760
Long Term Liabilities - Current Portion (note # 10)	10,324,690	11,409,918
Other Current Liabilities	19,749,166	28,236,001
Total Current Liabilities	**130,708,972**	**125,558,270**
Noncurrent Liabilities:		
Accrued Leave Liabilities (note # 10)	46,256,549	43,641,046
Long Term Liabilities (note # 10)	267,771,059	272,958,750
Other Non-Current Liabilities (note # 10)	35,381,025	33,765,085
Total Noncurrent Liabilities	**349,408,633**	**350,364,881**
Total Liabilities	**480,117,605**	**475,923,151**
Deferred Inflows of Resources	-	-
Net Position:		
Net Invested in Capital Assets	338,516,848	332,563,985
Restricted for:		
Nonexpendable -		
Other Purposes	24,368,606	20,448,540
Expendable -		
Scholarships and Fellowships	5,572,728	4,902,574
Research	20,903,818	18,748,783
Debt Service	1,077,688	5,954,182
Loans	5,315,634	5,298,345
Other Purposes	50,914,460	49,949,601
Unrestricted	267,131,901	252,648,854
Total Net Position	**$ 713,801,683**	**$ 690,514,864**

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

	June 30 2013	June 30 2012
Operating Revenues:		
Tuition and Fees	$ 23,387,794	$ 20,050,120
Less: Scholarship Allowances	(2,226,558)	(1,568,781)
Net Tuition and Fees	21,161,236	18,481,339
Federal Grants and Contracts	41,058,166	49,794,325
State Grants and Contracts	10,225,147	9,378,437
Nongovernmental Grants and Contracts	12,934,113	9,528,249
Sales and Services of Educational Departments	838,778	1,127,640
Auxiliary Enterprises:		
Bookstore	1,282,338	1,350,165
Other Auxiliary Revenues	1,683,640	2,047,428
Interest Earned on Loans to Students	108,154	125,724
Patient Care Revenue, Net	813,261,628	704,269,102
Other Operating Revenues	37,782,567	43,330,907
Total Operating Reveunes	**940,335,767**	**839,433,316**
Operating Expenses:		
Salaries and Wages	567,576,689	493,505,598
Fringe Benefits	147,483,050	127,186,802
Travel	3,479,536	2,173,891
Contractual Services	142,363,717	134,358,196
Utilities	10,771,652	10,237,609
Scholarships and Fellowships	6,310,307	6,076,570
Commodities	188,217,308	183,757,107
Depreciation Expense	45,141,568	38,945,030
Other Operating Expense	218,554	474,203
Total Operating Expenses	**1,111,562,381**	**996,715,006**
Operating Income (Loss)	**(171,226,614)**	**(157,281,690)**
Nonoperating Revenues (Expenses):		
State Appropriations	177,017,006	211,700,928
Gifts and Grants	7,946,176	7,404,075
Investment Income (Loss), Net of Investment Expense	9,509,750	3,018,880
Interest Expense on Capital Asset-Related Debt	(11,380,659)	(8,681,275)
Medicaid Transfer Expense	-	(50,152,808)
Other Nonoperating Revenues	3,104,937	2,364,223
Other Nonoperating Expenses	(2,093,718)	(756,261)
Total Net Nonoperating Revenues (Expenses)	**184,103,492**	**164,897,762**
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	**12,876,878**	**7,616,072**
Capital Grants and Gifts	1,938,635	4,707,909
State Appropriations Restricted for Capital Purposes	7,172,311	4,418,020
Additions to Permanent Endowments	1,298,995	991,908
Net Increase in Net Position	**23,286,819**	**17,733,909**
Net Position:		
Net Position - Beginning of Year, As Originally Reported	687,836,360	676,043,064
Cumulative Effect of Changes in Accounting Principle (note # 2)	-	(3,262,109)
Prior Period Adjustments (note #2)	2,678,504	-
Net Position - Beginning of Year, as Restated	690,514,864	672,780,955
Net Position - End of Year	$ 713,801,683	$ 690,514,864

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENTS OF CASH FLOWS
[Unaudited]

	June 30	
	2013	2012
Cash Flows from Operating Activities:		
Tuition and Fees	$ 21,994,806	$ 18,678,138
Grants and Contracts	60,403,976	69,023,165
Sales and Services of Educational Departments	858,471	1,072,762
Payments to Suppliers	(320,973,927)	(303,097,822)
Payments to Employees for Salaries and Benefits	(702,842,213)	(628,150,019)
Payments for Utilities	(10,101,652)	(10,839,872)
Payments for Scholarships and Fellowships	(6,310,307)	(6,076,570)
Loans Issued to Students	(1,765,118)	(2,028,852)
Collection of Loans to Students	1,616,366	1,476,330
Auxiliary Enterprise Charges:		
Bookstore	1,220,613	1,331,169
Other Auxiliary Enterprises	1,680,236	2,048,196
Patient Care Services	773,208,742	716,071,425
Interest Earned on Loans to Students	108,154	125,724
Other Receipts	42,563,195	26,388,856
Other Payments	(218,554)	(474,203)
Net Cash Used by Operating Activities	**(138,557,212)**	**(114,451,573)**
Cash Flows from NonCapital Financing Activities:		
State Appropriations	176,866,066	211,623,012
Gifts and Grants for Other Than Capital Purposes	7,946,176	7,404,075
Private Gifts for Endowment Purposes	1,298,995	991,908
Federal Loan Program Receipts	27,337,794	26,236,366
Federal Loan Program Disbursements	(27,324,352)	(26,166,677)
Other Sources	7,160,829	2,364,223
Other Uses	(329,465)	(54,998,602)
Net Cash Provided by Noncapital Financing Activities	**192,956,043**	**167,454,305**
Cash Flows from Capital Financing Activities:		
Proceeds from Capital Debt	-	106,539,238
Cash Paid for Capital Assets	(58,218,701)	(96,728,113)
Capital Grants and Contracts Received	1,606,756	4,674,018
Proceeds from Sales of Capital Assets	21,495	13,170
Principal Paid on Capital Debt and Leases	(6,045,228)	(8,875,545)
Interest Paid on Capital Debt and Leases	(11,902,578)	(8,624,056)
Net Cash Used by Capital and Related Financing Activities	**(74,538,256)**	**(3,001,288)**
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	77,248,326	53,754,338
Interest Received on Investments	7,334,985	5,096,574
Purchases of Investments	(91,427,467)	(86,666,007)
Net Cash Used by Investing Activities	**(6,844,156)**	**(27,815,095)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(26,983,581)**	**22,186,349**
Cash and Cash Equivalents - Beginning of the Year	**327,309,270**	**305,122,921**
Cash and Cash Equivalents - End of the Year	**$ 300,325,689**	**$ 327,309,270**

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
STATEMENTS OF CASH FLOWS
[Unaudited]

	June 30 2013	June 30 2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (171,226,614)	$ (157,281,690)
Adjustments to Reconcile Net Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation Expense	45,141,568	38,945,030
Self-insured Claims Expense	5,138,000	5,138,051
Bad Debt Expense	141,239,945	151,893,757
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(171,414,375)	(170,135,041)
Loans to Students	463,679	(441,741)
Inventories	(1,222,353)	(1,039,291)
Prepaid Expenses	(1,097,790)	1,642,106
Other Assets	95,713	361,995
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	20,080,092	17,719,102
Unearned Revenues	26,104	9,122,166
Accrued Leave Liabilitiy	7,765,347	1,651,773
Other Liabilities	(13,546,528)	(12,027,790)
Total Adjustments:	32,669,402	42,830,117
Net Cash Used by Operating Activities:	**$ (138,557,212)**	**$ (114,451,573)**
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents Classified as Current Assets	161,104,338	132,617,551
Cash and Cash Equivalents Classified as Noncurrent Assets	139,221,351	194,691,719
	$ 300,325,689	**$ 327,309,270**
NON-CASH TRANSACTIONS		
1.) Unrealized gain/(loss) on fair value of investments	$ 3,228,712	$ (1,777,162)
2.) Bureau of Buildings and Grounds - construction in progress and buildings	6,879,295	4,115,372
3.) Donation of capital assets	331,879	33,891
4.) Land and Buildings transferred from another state agency.	-	17,533

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 amendment provides for these new appointments and tenures to be gradually implemented. Full implementation occured in 2012.

The Medical Center's financial statements include the accounts of the University of Mississippi Medical Center Educational Building Corporation, 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. 14, *The Financial Reporting Entity*, this educational building corporation is deemed a component unit of the Medical Center.

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)

Basis of Accounting (cont.) – In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Medical Center follows all applicable GASB pronouncements.

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, 2013 and 2012 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 (cont.) – 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 6 for additional details concerning useful lives, 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.

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Hospital and Clinical Service Revenues – The Medical Center's hospital and clinical service revenues are reported at the estimated net realizable amounts from patients, third-party 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 on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based upon patients' acuity. Certain inpatient non-acute services and defined medical education costs are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare intermediary.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 27.7 % and 33.1%, respectively, of the Medical Center's net patient service revenues for the year ended June 30, 2013, and approximately 26.4% and 33.5%, respectively, for the year ended June 30, 2012.

Note 1 – Summary of Significant Accounting Policies (Continued)

Hospital and Clinical Service Revenues (cont.) – 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 $5,888,474 and $13,735,659 from Medicaid for EHR incentive revenue for fiscal years ending June 30, 2013 and 2012. This amount has been included in other operating revenues.

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

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

Net Position – The Medical Center's net assets are classified as follows:

Net Invested 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 invested in capital assets.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

University Physicians – University Physicians is the state's largest medical group including more than 500 physicians and representing more than 125 specialties. 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, and the assets and liabilities generated after the consolidation date are included in these financial statements.

Reclassifications – Certain amounts previously reported for the year ended June 30, 2012, have been reclassified to conform to the classifications used for the year ended June 30, 2013.

Note 2 – Prior Period and Audit Adjustments

The Medical Center restated June 30, 2012 financials to reflect the following audit adjustments and reclassifications:

	June 30, 2012
Audit adjustments for the tort claims fund	$ 2,885,714
To record additional grants revenue	3,679,746
To write-off bond issuance costs	(624,847)
To record the cumulative effect of the write-off of bond issuance costs prior to July 1, 2011 by the early implementation of GASB 65	(3,262,109)
Total Audit Adjustments	$ 2,678,504

Note 3 – Cash and Investments

Policies

Cash, Cash Equivalents and Short-term Investments – Investment policies as set forth by the IHL Board of Trustees policy and state statute authorize the Medical Center to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. Investment policy at the Medical Center is governed by State statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998.

The 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 stature (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 policy at the Medical Center is governed by State statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998. The Medical Center has adopted investment and spending policies for endowments as recommended by the University's Joint Committee on Investments. Global equity asset diversification guidelines require no more than 10% of the total fund be invested in a single active manager. Global fixed income asset guidelines require a minimum of 10% of the total fund be invested in investment grade U.S. bonds and no more than 10% of the total fund be invested in a single active manager. Real asset guidelines require not having more than 5% of the total fund invested in a direct manager, and not more than 10% in a fund of funds. Diversifying strategy guidelines require not having more than 5% of the total fund invested in a direct manager and not more than 10% in a fund of funds.

Note 3 – Cash and Investments (continued)

The following table presents the fair value of investments by type at June 30, 2013 and 2012, respectively:

Investment Type	2013	2012
Cash	$ 161,104,338	$ 132,617,551
Cash Designated for Capital and Debt Activities	36,924,039	73,406,642
Restricted Cash and Cash Equivalents	102,297,312	121,285,077
Certificate of deposits	16,960,000	17,697,261
Collateralized mortgage obligations	6,341,453	5,923,691
Equity securities - common stock	-	3,462,843
Equity hedge fund	11,758,969	8,601,231
Foreign stock	-	105,484
International equity mutual funds	7,410,877	8,496,071
Mortgage backed securities	638,322	809,229
Multi-strategy hedge fund	5,138,059	3,140,488
Municipal obligations	14,067,458	14,785,224
Mutual funds - fixed income	12,471,957	10,519,591
Mutual funds equity	19,825,498	8,653,203
Partnerships	6,262,215	4,513,851
Short term investments	554,034	872,191
U.S. Government agency obligations	40,308,357	36,559,702
	$ 442,062,888	$ 451,449,330

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, 2013 and 2012, respectively.

Note 3 – 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, 2013 and 2012, the Medical Center had the following investments subject to interest rate risk:

2013

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Collateralized mortgage obligations	$ 6,341,453	$ -	$ -	$ -	$ 6,341,453
Mortgage backed securities	638,322	-	-	33,433	604,889
Municipal obligations	14,067,458	1,011,130	3,402,962	7,896,831	1,756,535
Mutual funds - fixed income	12,471,957	-	4,764,359	7,707,598	-
U. S. Government agency obligations	40,308,357	23,768,571	-	3,811,098	12,728,688
Total	$ 73,827,547	$ 24,779,701	$ 8,167,321	$ 19,448,960	$ 21,431,565

2012

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Collateralized mortgage obligations	$ 5,923,691	$ -	$ -	$ -	$ 5,923,691
Mortgage backed securities	809,229	-	-	-	809,229
Municipal obligations	14,785,224	850,000	3,551,853	8,545,496	1,837,875
Mutual funds - fixed income	10,519,591	18,445	3,859,496	6,641,650	-
U. S. Government agency obligations	36,559,702	13,996,580	4,610,557	100,014	17,852,551
Total	$ 68,597,437	$ 14,865,025	$ 12,021,906	$ 15,287,160	$ 26,423,346

Note 3 – 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, 2013 and 2012, respectively, the Medical Center had the following investments in credit risk:

2013

		Credit Risk Ratings				
Investment Type	Fair Value	Aa2	Aa3	Aaa	Not Rated	Rating Not Available
Collateralized mortgage obligations	$ 6,341,453	$ -	$ -	$ -	$ -	$ 6,341,453
Mortgage backed securities	638,322	-	-	47,298	-	591,024
Municipal obligations	14,067,458	12,864,616	-	-	1,202,842	-
Mutual funds - fixed income	12,471,957	-	-	-	-	12,471,957
U.S. Government agency obligations	40,308,357	-	-	34,202,747	-	6,105,610
Total	$ 73,827,547	$ 12,864,616	$ -	$ 34,250,045	$ 1,202,842	$ 25,510,044

2012

		Credit Risk Ratings				
Investment Type	Fair Value	Aa2	Aa3	Aaa	Not Rated	Rating Not Available
Collateralized mortgage obligations	$ 5,923,691	$ -	$ -	$ -	$ -	$ 5,923,691
Mortgage backed securities	809,229	-	-	53,216	-	756,013
Municipal obligations	14,785,224	12,692,915	-	-	2,092,309	-
Mutual funds - fixed income	10,519,591	-	-	-	-	10,519,591
U.S. Government agency obligations	36,559,702	-	-	36,559,702	-	-
Total	$ 68,597,437	$ 12,692,915	$ -	$ 36,612,918	$ 2,092,309	$ 17,199,295

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, 2013 and 2012, the Medical Center had the following investment that exceeded 5% of total investments:

	2013		2012	
Issuer	Fair Value	%	Fair Value	%
Renasant Bank CD#1014126135, 8/1/13	$15,000,000	10.58%		
Renasant Bank CD#1012514375, 7/19/12			$15,000,000	11.85%

Note 3 – Cash and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in foreign currency exchange rates will adversely affect the fair value of an investment. The Medical Center investment policy requires diversification with respect to currency and country exposure. As of June 30, 2013 and 2012, the Medical Center had the following exposure to foreign currency risk summarized and categorized by currency:

2013	Total	International Equity Mutual Funds	Foreign Stock
European Euro	$ 536,247	$ 536,247	$ -
United Kingdom Pounds	669,157	669,157	-
Japan Yen	664,817	664,817	-
Switzerland Francs	717,923	717,923	-
Canada Dollars	251,714	251,714	-
Hong Kong Dollars	146,200	146,200	-
Australia Dollars	706,177	706,177	-
Korea Won	347,215	347,215	-
India Rupee	97,919	97,919	-
Brazil Real	459,508	459,508	-
Taiwan Dollar	326,072	326,072	-
China Renminbi	131,824	131,824	-
Sweden Krona	320,434	320,434	-
Singapore Dollars	32,278	32,278	-
South Africa Rand	69,709	69,709	-
Mexico Pesos	196,395	196,395	-
Denmark Kroner	192,166	192,166	-
Malaysia Ringgit	52,350	52,350	-
Russia Ruble	703,827	703,827	-
All other currency	788,945	788,945	-
	$ 7,410,877	$ 7,410,877	$ -

2012	Total	International Equity Mutual Funds	Foreign Stock
European Euro	$ 2,089,816	$ 2,062,391	$ 27,425
United Kingdom Pounds	340,306	316,827	23,479
Japan Yen	778,429	778,429	-
Switzerland Francs	379,095	379,095	-
Canada Dollars	424,399	424,399	-
Hong Kong Dollars	196,458	196,458	-
Australia Dollars	418,312	418,312	-
Korea Won	199,494	199,494	-
India Rupee	52,347	52,347	-
Brazil Real	308,619	308,619	-
Taiwan Dollar	226,207	226,207	-
China Renminbi	310,472	310,472	-
Sweden Krona	241,837	241,837	-
Singapore Dollars	79,263	79,263	-
South Africa Rand	95,320	95,320	-
Mexico Pesos	142,658	142,658	-
Denmark Kroner	102,305	102,305	-
Malaysia Ringgit	5,460	5,460	-
Russia Ruble	421,722	421,722	-
All other currency	1,789,036	1,734,456	54,580
	$ 8,601,555	$ 8,496,071	$ 105,484

Note 4 – Accounts Receivable

Accounts receivable consisted of the following at June 30, 2013 and 2012, respectively:

	2013	2012
Student tuition	$ 2,786,741	$ 2,444,939
Auxiliary enterprises and other operating activities	163,084	97,955
Federal, state, and private grants and contracts	23,279,213	20,566,330
Premier Purchasing Partners	8,529	1,285,415
State appropriations	574,007	423,067
Accrued interest	222,939	189,286
Patient income	524,959,897	1,861,756,429
Other	22,901,267	40,071,672
Total accounts receivable	574,895,677	1,926,835,093
Less allowance for doubtful accounts	405,054,385	1,773,615,994
Net accounts receivable	$ 169,841,292	$ 153,219,099
Current portion of accounts receivable	$ 165,115,434	$ 148,074,992
Noncurrent portion of accounts receivable	4,725,858	5,144,107
Net accounts receivable	$ 169,841,292	$ 153,219,099

Note 5 – Notes Receivable from Students

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the Medical Center. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the Medical Center at June 30, 2013 and 2012, respectively:

	Interest Rates	2013	Current Portion	Noncurrent Portion
Perkins student loans	3% to 9%	$ 6,482,954	$ 383,496	$ 6,099,458
Nursing student loans	3% to 9%	666,687	67,604	599,083
Medical student loans	3% to 9%	170,412	7,958	162,454
Dental student loans	3% to 9%	284,077	23,984	260,093
Institutional loans	0% to 10%	2,751,653	1,995,846	755,807
Total notes receivable		10,355,783	2,478,888	7,876,895
Less allowance for doubtful accounts		1,459,694	247,889	1,211,805
Net notes receivable		$ 8,896,089	$ 2,230,999	$ 6,665,090

	Interest Rates	2012	Current Portion	Noncurrent Portion
Perkins student loans	3% to 9%	$ 7,040,666	$ 415,747	$ 6,624,919
Nursing student loans	3% to 9%	584,044	68,782	515,262
Medical student loans	3% to 9%	188,710	12,722	175,988
Dental student loans	3% to 9%	323,642	40,347	283,295
Institutional loans	0% to 10%	2,682,400	1,807,981	874,419
Total notes receivable		10,819,462	2,345,579	8,473,883
Less allowance for doubtful accounts		1,672,652	234,558	1,438,094
Net notes receivable		$ 9,146,810	$ 2,111,021	$ 7,035,789

Note 6 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013 and 2012, respectively, is presented as follows:

	6/30/2012	Additions	Deletions	6/30/2013
Nondepreciable Capital Assets:				
Land	$ 6,785,095	$ -	$ -	$ 6,785,095
Construction in Progress	78,488,755	39,667,458	62,920,366	55,235,847
Total Nondepreciable Capital Assets	85,273,850	39,667,458	62,920,366	62,020,942
Depreciable Capital Assets:				
Improvements other than Buildings	10,871,390	161,494	-	11,032,884
Buildings	418,264,935	15,033,009	49,150	433,248,794
Equipment	278,526,836	70,774,448	12,648,392	336,652,892
Library Books	43,015,033	2,771,270	27,943	45,758,360
Total Depreciable Capital Assets	750,678,194	88,740,221	12,725,485	826,692,930
Total Cost of Capital Assets	835,952,044	128,407,679	75,645,851	888,713,872
Less Accumulated Depreciation for:				
Improvements other than Buildings	4,844,440	502,858	-	5,347,298
Buildings	116,696,347	10,482,918	-	127,179,265
Equipment	158,313,888	31,785,668	10,439,370	179,660,186
Library Books	32,282,983	2,370,124	27,943	34,625,164
Total Accumulated Depreciation	312,137,658	45,141,568	10,467,313	346,811,913
Capital Assets, Net	$ 523,814,386	$ 83,266,111	$ 65,178,538	$ 541,901,959

	6/30/2011	Additions	Deletions	6/30/2012
Nondepreciable Capital Assets:				
Land	$ 3,223,673	$ 3,593,922	$ 32,500	$ 6,785,095
Construction in Progress	61,864,271	59,042,947	42,418,463	78,488,755
Total Nondepreciable Capital Assets	65,087,944	62,636,869	42,450,963	85,273,850
Depreciable Capital Assets:				
Improvements other than Buildings	10,553,783	317,607	-	10,871,390
Buildings	383,464,408	35,093,027	292,500	418,264,935
Equipment	246,525,298	41,724,121	9,722,583	278,526,836
Library Books	40,493,389	2,527,113	5,469	43,015,033
Total Depreciable Capital Assets	681,036,878	79,661,868	10,020,552	750,678,194
Total Cost of Capital Assets	746,124,822	142,298,737	52,471,515	835,952,044
Less Accumulated Depreciation for:				
Improvements other than Buildings	4,327,157	517,283	-	4,844,440
Buildings	106,701,815	10,063,631	69,099	116,696,347
Equipment	141,659,590	26,049,461	9,395,163	158,313,888
Library Books	29,973,797	2,314,655	5,469	32,282,983
Total Accumulated Depreciation	282,662,359	38,945,030	9,469,731	312,137,658
Capital Assets, Net	$ 463,462,463	$ 103,353,707	$ 43,001,784	$ 523,814,386

Note 6 – Capital Assets (Continued)

As of June 30, 2013 and 2012, capital assets included assets under capital leases with an original cost of $0 and $13,042,671, respectively, and accumulated depreciation of $0 and $6,112,542, respectively.

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

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	0%	$ 50,000
Improvements other Than Buildings	20 years	0%	25,000
Equipment	3-25 years	0%	5,000
Software & Implementation Costs	3-10 years	0%	250,000
Library Books	10 years	0%	-

Note 7 – Deferred Outflows of Resources

Deferred outflows of resources as of June 30, 2013 and 2012, respectively, are as follows:

	2013	2012
Deferred loss on debt refunding	$ 4,990,320	$ 5,226,080

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2013 and 2012, respectively, are as follows:

	2013	2012
Payable to vendors and contractors	$ 24,886,491	$ 27,182,439
Accrued salaries, wages and employee withholdings	38,716,119	42,701,827
Accrued interest	1,105,377	1,134,080
Due to University Physicians, PLLC	18,283,558	-
Other	1,332,891	4,633
	$ 84,324,436	$ 71,022,979

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

Note 9 – Unearned Revenues

Unearned revenues as of June 30, 2013 and 2012, respectively, are as follows:

	2013	2012
Unearned school revenue	$ 4,636,927	$ 3,510,956
Unearned grants revenue	7,640,089	8,740,656
Other unearned revenue	700	-
	$ 12,277,716	$ 12,251,612

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

Note 10 – Long-term Liabilities

Long-term liabilities of the Medical Center consist of notes and bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2013 and 2012, respectively. The various leases cover a period not to exceed five years.

Information regarding bonds, notes, and capital leases included in the long-term liabilities balance at June 30, 2013 and 2012, respectively, are listed in the following schedules. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note 10 – Long-term Liabilities (Continued)

	Original Issue	Annual Interest Rate	Maturity	June 30, 2012	Additions	Deletions	June 30, 2013	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	98,551,903	-	4,549,404	94,002,499	4,639,405
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	4,417,666	-	489,084	3,928,582	504,083
Series 2012A	51,860,000	4.00% to 5.00%	2041	53,141,871	-	44,203	53,097,668	44,202
Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	-	-	53,390,000	-
Total Bonded Debt				$278,041,440	-	5,082,691	272,958,749	5,187,690
Capital Leases								
Various equipment				1,190,228	-	1,190,228	-	-
Total Capital Leases				1,190,228	-	1,190,228	-	-
Other Long-term Liabilities								
Accrued leave liabilities				46,278,806	8,539,396	4,528,689	50,289,513	4,032,964
Federal portion of Federal student loans				6,177,085	142,207	463,267	5,856,025	-
Tort claim liability				32,725,000	1,937,000	-	34,662,000	5,137,000
Total Other Long-term Liabilities				85,180,891	10,618,603	4,991,956	90,807,538	9,169,964
Total				$ 364,412,559	$ 10,618,603	$ 11,264,875	$ 363,766,287	$ 14,357,654
Due within one year							14,357,654	
Total long-term liabilities							$ 349,408,633	

	Original Issue	Annual Interest Rate	Maturity	June 30, 2011	Additions	Deletions	June 30, 2012	Due Within One Year
Bonded Debt								
Series 1998B	41,075,000	3.88% to 5.90%	2024	$ 23,670,000	$ -	$ -	$ 23,670,000	$ -
Series 2002	4,500,000	3.40% to 5.00%	2012	545,000	-	545,000	-	-
Series 2009	105,605,000	2.00% to 5.00%	2034	102,386,308	-	3,834,405	98,551,903	4,549,405
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	4,891,749	-	474,083	4,417,666	489,083
Series 2012A	51,860,000	4.00% to 5.00%	2041	-	53,149,238	7,367	53,141,871	44,202
Series 2012B	53,390,000	4.064% to 4.822%	2038	-	53,390,000	-	53,390,000	-
Total Bonded Debt				$176,363,057	106,539,238	4,860,855	278,041,440	5,082,690
Capital Leases								
Various equipment				5,395,773	-	4,205,545	1,190,228	1,190,228
Total Capital Leases				5,395,773	-	4,205,545	1,190,228	1,190,228
Other Long-term Liabilities								
Accrued leave liabilities				44,627,033	4,325,844	2,674,071	46,278,806	2,637,760
Federal portion of Federal student loans				6,618,826	156,203	597,944	6,177,085	-
Tort claim liability				32,846,000	-	121,000	32,725,000	5,137,000
Total Other Long-term Liabilities				84,091,859	4,482,047	3,393,015	85,180,891	7,774,760
Total				$ 265,850,689	$ 111,021,285	$ 12,459,415	$ 364,412,559	$ 14,047,678
Due within one year							14,047,678	
Total long-term liabilities							$ 350,364,881	

Note 10 – 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 loss on debt refunding, a deferred outflow of resources. The unamortized balance of the interest rate swap termination payment was $4,990,320 and $5,226,080 at June 30, 2013 and 2012.

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 fourty-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 10 – 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 semiannually 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 semiannually 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, 2013, are as follows:

Fiscal Year Ended:	Principal	Interest	Total
2014	$ 5,187,690	$ 13,257,913	$ 18,445,603
2015	5,377,690	13,059,513	18,437,203
2016	5,582,690	12,858,463	18,441,153
2017	5,807,690	12,639,163	18,446,853
2018	6,092,690	12,352,975	18,445,665
2019-2023	35,054,101	57,125,436	92,179,537
2024-2028	41,128,036	47,781,298	88,909,334
2029-2033	52,208,036	35,973,960	88,181,996
2034-2038	67,240,417	21,195,415	88,435,832
2039-2041	49,279,709	4,349,690	53,629,399
	$ 272,958,749	$ 230,593,826	$ 503,552,575

Note 11 – Operating Leases

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

Fiscal Year Ending June 30:	Amount
2014	$ 9,594,293
2015	8,422,913
2016	7,755,574
2017	7,092,996
2018	7,092,996
2019-2023	35,279,694
2024-2028	35,279,694
2029-2031	21,167,816
Total Minimum Payments Required	$ 131,685,976

The total rental expense for all operating leases, except those with terms of a month or less that were renewed, for the fiscal years ending June 30, 2013 and 2012 was $9,605,982 and $9,898,992, respectively.

Note 12 – Natural Classifications with Functional Classifications

The Medical Center's operating expenses by functional classification were as follows for the year ended June 30, 2013:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$ 89,297,063	$ 21,587,814	$ 385,303	$ 5,167,715	$ -	$ -	$ 3,629,329	$ -	$ -	$ 120,067,224
Hospital Instruction	22,745,660	7,084,639	-	217,162	-	-	137,656	-	-	30,185,117
Research	14,803,364	3,619,111	705,331	4,448,039	-	-	5,028,584	-	-	28,604,429
Public Service	7,735,912	2,085,472	383,684	3,800,420	-	-	1,271,668	-	-	15,277,156
Academic Support	7,123,643	1,985,212	300,214	4,385,881	-	-	1,476,339	-	-	15,271,289
Student Services	837,361	255,297	-	107,424	-	-	64,745	-	-	1,264,827
Institutional Support	44,357,375	11,980,296	373,492	34,016,075	-	-	3,043,717	-	-	93,770,955
Operation of Plant	8,995,596	3,147,145	224	4,965,721	10,537,832	-	1,706,350	-	-	29,352,868
Student Aid	-	-	-	-	-	6,310,307	-	-	-	6,310,307
Auxiliary Enterprises	450,483	159,464	1,575	636,766	-	-	941,037	-	-	2,189,325
Depreciation	-	-	-	-	-	-	-	45,141,568	-	45,141,568
Hospital	371,230,232	95,578,600	1,329,713	84,618,514	233,820	-	170,917,883	-	-	723,908,762
Loan Fund	-	-	-	-	-	-	-	-	218,554	218,554
Total Operating Expenses	$ 567,576,689	$ 147,483,050	$ 3,479,536	$ 142,363,717	$ 10,771,652	$ 6,310,307	$ 188,217,308	$ 45,141,568	$ 218,554	$ 1,111,562,381

Note 12 – Natural Classifications with Functional Classifications (Continued)

The Medical Center's operating expenses by functional classification were as follows for the year ended June 30, 2012:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$ 89,167,028	$ 20,778,089	$ 365,894	$ 4,795,560	$ -	$ -	$ 3,925,199	$ -	$ -	$ 119,031,770
Hospital Instruction	22,411,320	6,540,772	-	209,908	-	-	9,400	-	-	29,171,400
Research	15,929,555	3,827,782	676,845	5,011,222	-	-	5,838,638	-	-	31,284,042
Public Service	7,885,280	1,994,393	427,931	3,968,549	-	-	1,176,067	-	-	15,452,220
Academic Support	7,640,985	1,985,628	260,475	4,970,533	-	-	897,056	-	-	15,754,677
Student Services	795,572	230,856	503	68,768	-	-	46,399	-	-	1,142,098
Institutional Support	41,829,092	10,534,835	291,455	32,049,390	-	-	7,397,039	-	-	92,101,811
Operation of Plant	6,249,048	2,122,455	-	3,323,990	2,903,964	-	1,107,906	-	-	15,707,363
Student Aid	-	-	-	-	-	6,076,570	-	-	-	6,076,570
Auxiliary Enterprises	419,308	141,072	1,683	182,145	-	-	1,111,117	-	-	1,855,325
Depreciation	-	-	-	-	-	-	-	38,945,030	-	38,945,030
Hospital	301,178,410	79,030,920	149,105	79,778,131	7,333,645	-	162,248,286	-	-	629,718,497
Loan Fund	-	-	-	-	-	-	-	-	474,203	474,203
Total Operating Expenses	$ 493,505,598	$ 127,186,802	$ 2,173,891	$ 134,358,196	$ 10,237,609	$ 6,076,570	$ 183,757,107	$ 38,945,030	$ 474,203	$ 996,715,006

Note 13 – Construction Commitments and Financing

The Medical Center has contracted for various construction projects as of June 30, 2013. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	Total Costs to Complete	Funded by: Federal Sources	Funded by: State Sources	Funded by: Institutional Funds	Funded by: Other
Renovations Adult Emergency	$ 4,560,240	$ -	$ 4,560,240	$ -	$ -
School of Medicine	2,480,668	-	2,480,668	-	-
Campus Roofing	99,178	-	99,178	-	-
Boiler Room Upgrades	357,740	-	357,740	-	-
Mechanical Systems Upgrade	138,153	-	138,153	-	-
Fire Alarm Upgrade	302,326	-	302,326	-	-
Power Plant/Physical Facilities Misc Repairs	392,357	-	-	392,357	-
Renovate Cafeteria 2009	2,181,168	-	-	-	2,181,168
Gamma Knife Addition Acute Care Hospital	58,034	-	-	58,034	-
Renovate Otolaryngology	2,078,413	-	-	-	2,078,413
Renovate Cardiovascular	8,044,570	-	-	-	8,044,570
Replace Generators 12, 13 & 14	328,276	-	-	-	328,276
Renovate Lexington Hospital Emergency Dept	4,236,669	-	-	-	4,236,669
Furnish / Install 150 Ton Chiller on BCH	114,071	-	-	114,071	-
Renovate & Repair Learning Resources Bldg	32,203	-	-	-	32,203
Install S019 Pediatric Cath Equipment	15,165	-	-	15,165	-
Install Bus Shelters Stadium E	89,785	-	-	89,785	-
Renovate West End of 2 West	33,506	-	-	33,506	-
Renovate X025 for 3T MRI	52,145	-	-	52,145	-
Renovate M014 Suite A to Wound Care Clinic	859,415	-	-	859,415	-
Renovate Batson Specialty Clinic	267,243	-	-	-	267,243
Cancer & Biomedical Research Center	35,633,352	19,295,852	-	7,000,000	9,337,500
Renovate 8th Floor Animal Quarters	6,581	-	-	6,581	-
Replace Flooring URC Patient Care Area	28,322	-	-	28,322	-
Renovate C364 into Patient Room	384,790	-	-	384,790	-
Renovate SHRP Classroom	349,393	-	-	349,393	-
Renovate S105/A to Blood Lab	967,869	-	-	967,869	-
Renovate Annex II to Biostatistics	291,740	-	-	-	291,740
Renovate Schimmel's Building	707,441	-	-	-	707,441
Renovate for Pavilion Pediatric Clinic	717,324	-	-	709,000	8,324
Parking Garage C	19,947,741	-	-	-	19,947,741
Surface Parking, Roadways & Infrastructure	4,679,354	-	-	-	4,679,354
Total	$ 90,435,232	$ 19,295,852	$ 7,938,305	$ 11,060,433	$ 52,140,642

Note 14 – Pension Plan

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

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

Funding Policy – PERS members are required to contribute 9% of their annual salary and the institution is required to contribute at an actuarially determined rate. The actuarially determined rate was 12% of annual covered payroll as of July 1, 2009. The rate increased to 12.93% as of January 1, 2012, and to 14.26% as of July 1, 2012. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institutional contributions to PERS for the years ending June 30, 2013, 2012, and 2011 were $56,750,800, $51,884,405, and $47,481,897, respectively. Such contributions equaled the required contributions for each respective year.

The membership of the ORP is composed of teachers and administrators of the IHL appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. Membership in ORP is offered as a recruitment tool for the IHL. The Medical Center's contributions to ORP for the years ending June 30, 2013, 2012, and 2011 were $17,745,403, $14,247,007 and $12,601,957, respectively. Such contributions equaled the required contributions for each respective year.

Note 15 – Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditures as of June 30, 2013 and 2012, was $5,084,044 and $9,004,111, respectively. These amounts are included on the Statements 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, 2013 and 2012 as follows:

	2013	2012
William D. Ford Direct Loan Program	$ 26,256,691	$ 24,320,077
Federal Perkins Loan Program	773,325	1,249,597
Health and Human Services Loan Program	294,336	242,419
Total	$ 27,324,352	$ 25,812,093

These distributions and their related funding sources are included as "Noncapital Financing" distributions in the Statements 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.

Note 18 – 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, 2010 for the Jackson Campus and June 30, 2010 for Holmes County Hospital.

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 future audit activities, the reserve balance at the end of fiscal year 2013 was held at $9.0 million, consistent with previous years.

Over four 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 versus final payment rates for both inpatient and outpatient services. During fiscal years 2009, 2010, and 2011, UHHS repaid approximately $10.9, $5.5, and $4.2 million, respectively to DOM for these and other claims adjustments. At June 30, 2013, UHHS maintains a reserve of approximately $5.9 million for Medicaid rate recalculations and other adjustments for prior fiscal years.