Financial Report

June 30, 2018

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 2018. 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

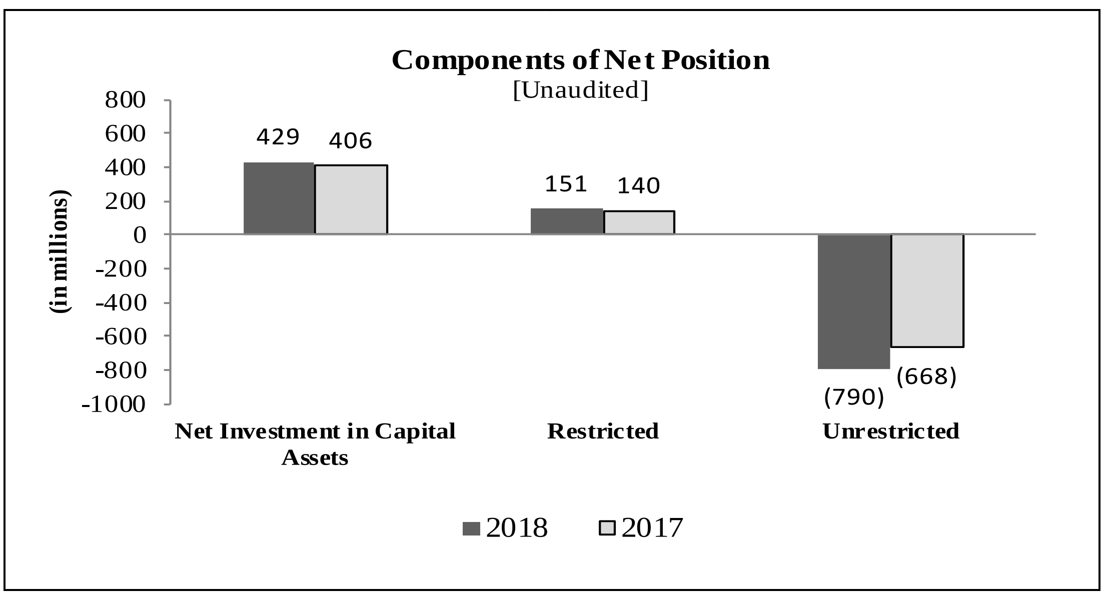
The Statement of Net Position presents the assets, liabilities, and the net position components of the Medical Center using the accrual basis of accounting. The Statement of Net Position is a point in time financial statement. The Statement of Net Position presents end-of-year data concerning Assets (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 2018 and 2017:



Statement of Net Position (continued)

Statement of Net Position (in thousands) [Unaudited]	2018	2017
Assets and Deferred Outflows		
Current Assets	$ 599,483	$ 578,759
Capital Assets, Net	687,314	656,759
Other Assets	320,214	217,709
Deferred Outflows of Resources	152,253	305,837
Total Assets and Deferred Outflows	1,759,264	1,759,064
Liabilities and Deferred Inflows		
Current Liabilities	217,023	162,767
Noncurrent Liabilities	1,689,225	1,682,621
Deferred Inflows of Resources	63,020	36,068
Total Liabilities and Deferred Inflows	1,969,268	1,881,456
Net Position		
Net Investment in Capital Assets	429,555	405,756
Restricted - Expendable	124,285	113,418
Restricted - Nonexpendable	26,738	26,751
Unrestricted	(790,582)	(668,317)
Total Net Position	$ (210,004)	$ (122,392)

At June 30, 2018 current assets totaled $599.5 million and consisted primarily of cash and cash equivalents, short term investments and net receivables. Current assets increased 3.6% ($20.7 million) from 2017. Cash, cash equivalents, and short-term investments constituted approximately 63.4% of current assets as of June 30, 2018 while accounts receivables constituted approximately 30.5% of current assets. Approximately 83.6% of these receivables were related to patient care receivables.

Capital assets, net of accumulated depreciation, increased by $30.6 million from 2017. Additional detail on capital assets can be found in Note 5 of the *Notes to the Financial Statements*.

At June 30, 2018 current liabilities equaled $217.0 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 33.3% ($54.3 million) from 2017. Accounts payable and accrued liabilities increased $27.4 million and other current liabilities increased $29.4 million.

Statement of Net Position (continued)

The Medical Center implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. The Medical Center also implemented both *GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB No. 81, *Irrevocable Split-Interest Agreements*, during fiscal year 2018. As a result, deferred outflows of resources of $152.3 million and $305.8 million has been recorded for 2018 and 2017. Deferred inflows of resources of $63.0 million and $36.1 million has been recorded for 2018 and 2017. Net pension liability (classified as a noncurrent liability) of $1.213 billion and $1.289 billion has been recorded for 2018 and 2017. Net other postemployment benefits (OPEB) liability (classified as a noncurrent liability) of $57.7 million and $59.8 million has been recorded for 2018 and 2017.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end (June 30th). At June 30, 2018 noncurrent liabilities increased 0.4% ($6.6 million) from 2017. The increase was due to a combination of an increase in long term bonded debt ($87.2 million) and a decrease in the net pension liability ($75.9 million).

The consumption of assets follows the Medical Center's policy to use available resources to meet the goals of the institution in the areas of instruction, research, patient care and public service. At June 30, 2018, the total assets of the Medical Center increased $153.8 million from 2017. Total liabilities increased $60.9 million from 2017. Unrestricted net position decreased $122.3 million from 2017.

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]

	2018	2017
Operating Revenues	$ 1,252,510	$ 1,204,145
Operating Expenses	1,517,051	1,511,044
Operating Loss	(264,541)	(306,899)
Net Nonoperating Revenues and Expenses	165,368	181,648
Income Before Other Revenues, Expenses, Gains or Losses	(99,173)	(125,251)
Other Revenues, Expenses, Gains or Losses	11,561	46,780
Change in Net Position	(87,612)	(78,471)
Net Position, beginning of year, as originally reported	(122,392)	13,573
Cumulative Effect of Change in Accounting Principle	-	(57,494)
Net Position, beginning of year, restated	(122,392)	(43,921)
Net Position, end of year	$ (210,004)	$ (122,392)

The largest sources of operating revenues were from patient care, and grants and contracts. Net patient care revenues totaled $1.097 billion and $1.074 billion, an increase of 2.2% from 2017.

The Medical Center receives grant and contract revenue from federal, state, and private agencies. Grant and contract revenue totaled $64.3 million and 60.1 million, an increase of 7.0% from 2017.

Tuition and fees, net of scholarship allowances, totaled $30.6 million and $28.4 million, an increase of 8.0% from 2017. This increase was due to tuition increases.

The largest category of operating expenses is salaries, wages and fringe benefits, representing 66.4% and 66.9% for the years ending June 30, 2018 and 2017. Salaries, wages and fringe benefits totaled $1.008 billion and $1.011 billion, a decrease of 0.3% from 2017. Significant variances were volume increases and service mix changes, decrease in the net GASB 68 pension expense adjustment, and the implementation of GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The Medical Center relies on funding from state appropriations. The Medical Center recognized state educational appropriations from the State of Mississippi totaling $157.9 million and $172.5 million which is included as nonoperating revenue in 2018 and 2017. The Medical Center also recognized capital appropriations from the State of Mississippi totaling $7.4 million and $32.5 million, which is included as a component of other revenues, expenses, gains, or losses in 2018 and 2017.

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]

	2018	2017
Cash provided (used) by:		
Operating Activities	$ (95,378)	$ (128,083)
Noncapital financing activites	166,212	182,798
Capital and related financing activites	29,866	(55,635)
Investing activities	(76,696)	(19,938)
Net Change in Cash	24,004	(20,858)
Cash and cash equivalents, beginning of the year	324,502	345,360
Cash and cash equivalents, end of the year	$ 348,506	$ 324,502

The condensed statements illustrate the composition of cash sources and uses of funds for fiscal years 2018 and 2017. The Medical Center used $95.4 million and $128.1 million of cash for operating activities, offset by $166.2 million and $182.8 million of cash provided by noncapital financing activities in 2018 and 2017, 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 $29.9 million and $(55.6) million in 2018 and 2017, respectively, was provided/(used) for capital and related financing activities, primarily purchases of capital assets and principal and interest payments on long-term debt, partially offset by sources that included grants and contracts for capital purposes. In 2018 the Medical Center received $163.5 million in bond proceeds to finance construction of the Batson Children's Hospital expansion and refunded $66.6 million in existing bonded debt. Cash used in investing activities totaled $76.7 million and $19.9 million in 2018 and 2017, 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 increased by $87.9 million from 2017. 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 $1.204 billion in 2017 to $1.253 billion in 2018. This represents an increase of operating revenues of $48.4 million from the prior year. Patient care revenues and other operating revenues represent the majority of the increase. Total operating expenses have increased from $1.511 billion in 2017 to $1.517 billion in 2018. This represents an increase of operating expenses of $6.0 million from the prior year.

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

UMMC has strong governmental support in the areas of supporting legislation and targeted infrastructure needs. We receive about 10% of our revenues from state appropriations. This percentage has decreased slightly over the years due to both a growth in other revenue sources and a decrease in state appropriations. Although a small percentage of our overall revenue, state appropriations are devoted primarily to and critical for our academic mission which focuses on training future physicians who will provide health care to all Mississippians, including the indigent. Mississippi tax collections have improved in the last twelve months and projected appropriated funding for the Medical Center will remain steady through fiscal year 2020.

The majority of the Medical Center's revenues come from the Health System. It is critical for the Medical Center to provide the highest quality and most efficient patient care possible. Unexpected financial events as well as a challenging payor mix and high level of patient acuity have been and will continue to be a challenge. Cost saving strategies and revenue growth initiatives have been emphasized and will continue for the future. Strategies are being developed for growth through ambulatory expansion into local areas with improved payer mixes, external affiliations with providers and payers, and innovative revenue streams.

Economic Outlook (continued)

Medical Center leadership continues to be successful in recruiting and retaining qualified faculty, staff, and trained medical personnel in a very competitive environment. Costs for medical equipment and supplies continue to grow faster than general inflation. In the past year an improved economy has created a tight labor shortage for health care workers in nursing and technical areas. Uncertainty on the national level regarding disproportionate share funding from the federal government in outlying years creates challenges in strategic and financial planning for the future of the institution. Capital required for infrastructure growth and maintenance continues to require strategic planning and innovative thinking from institutional leadership. The $180 million renovation and expansion of the children's hospital is on target for completion in 2020. Hospital and clinical volumes remain steady but have been constrained by limited physical capacity. In fact, we have been "at capacity" most days over the past 18 months. The Medical Center expects continued growth in the foreseeable future, especially as capacity constraints are alleviated by projects that will add medical/surgical beds, ICU beds, ORs, and ambulatory space.

The number of student applications remains consistently strong for all programs, and expanded slots for Medical School classes have been filled. A new school of Population Health has been established, and student applications are positive. Research dollars are growing and are anticipated to continue to grow, and important affiliations with the Mayo Clinic and Vanderbilt University are expected to economically benefit the research and clinical missions of the Medical Center.

Medical Center management, faculty, and staff remain committed to improving the health status of all Mississippians through our missions of education, research, and clinical care. 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 continues to position the Medical Center for success.

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

		June 30 2018
Assets and Deferred Outflows		
Current Assets:		
Cash and Cash Equivalents (note # 2)	$	294,722,624
Short Term Investments (note # 2)		85,146,458
Accounts Receivable, Net (note # 3)		182,734,617
Student Notes Receivable, Net (note # 4)		604,391
Inventories		29,101,875
Prepaid Expenses		6,658,255
Other Current Assets		515,000
Total Current Assets		**599,483,220**
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (note # 2)		53,782,922
Restricted Short Term Investments (note # 2)		87,141,518
Endowment Investments (note # 2)		89,944,446
Other Long Term Investments - Restricted (note # 2)		38,054,648
Other Long Term Investments - Unrestricted (note # 2)		5,964,240
Accounts Receivable, Net (note # 3)		3,866,376
Student Notes Receivable, net (note # 4)		7,867,436
Beneficial Interest in Irrevocable Trusts		33,592,648
Capital Assets, Net (note # 5)		687,314,330
Total Noncurrent Assets		**1,007,528,564**
Total Assets		**1,607,011,784**
Deferred Outflows of Resources (note # 6)		**152,252,894**
Total Assets and Deferred Outflows of Resources	**$**	**1,759,264,678**
Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (note # 7)	$	129,181,983
Unearned Revenues (note # 8)		12,553,767
Accrued Leave Liabilities - Current Portion (note # 9)		5,305,097
Long Term Liabilities - Current Portion (note # 9)		12,143,314
Other Current Liabilities		57,839,010
Total Current Liabilities		**217,023,171**
Noncurrent Liabilities:		
Accrued Leave Liabilities (note # 9)		51,796,197
Long Term Liabilities (note # 9)		332,111,009
Net Pension Liability (note # 13)		1,212,970,916
Net OPEB Liability (note # 14)		57,663,711
Other Non-Current Liabilities (note # 9)		34,683,793
Total Noncurrent Liabilities		**1,689,225,626**
Total Liabilities		**1,906,248,797**
Deferred Inflows of Resources (note # 15)		**63,020,077**
Total Liabilities and Deferred Inflows of Resources	**$**	**1,969,268,874**
Net Position:		
Net Investment in Capital Assets		429,555,595
Restricted for:		
Nonexpendable -		
Other Purposes		26,737,713
Expendable -		
Scholarships and Fellowships		3,254,235
Research		40,638,477
Debt Service		891,608
Loans		6,537,777
Other Purposes		72,962,647
Unrestricted		(790,582,248)
Total Net Position	**$**	**(210,004,196)**

See accompanying notes to financial statements.

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

	June 30 2018
Operating Revenues:	
Tuition and Fees	$ 36,644,448
Less: Scholarship Allowances	(6,031,567)
Less: Bad Debt Expense	36,822
Net Tuition and Fees	30,649,703
Federal Grants and Contracts	48,262,568
State Grants and Contracts	6,863,052
Nongovernmental Grants and Contracts	9,171,232
Sales and Services of Educational Departments	1,076,268
Auxiliary Enterprises:	
Bookstore	2,392,486
Other Auxiliary revenues	1,568,718
Interest Earned on Loans to Students	440,589
Patient Care Revenues, Net	1,097,355,744
Other Operating Revenues	54,729,980
Total Operating Revenues	**1,252,510,340**
Operating Expenses:	
Salaries and Wages	721,015,617
Fringe Benefits	184,649,202
Net GASB 68 Pension Expense Adjustment	101,657,576
OPEB Expense	440,114
Travel	5,497,153
Contractual Services	178,884,391
Utilities	13,419,630
Scholarships and Fellowships	4,191,839
Commodities	259,247,479
Depreciation	47,121,483
Other Operating Expenses	926,500
Total Operating Expenses	**1,517,050,984**
Operating Loss	**(264,540,644)**
Nonoperating Revenues (Expenses):	
State Appropriations	160,893,448
Gifts and Grants	7,857,065
Investment Income (Loss), Net of Investment Expense	10,087,973
Interest Expense on Capital Asset-Related Debt	(12,121,759)
Other Nonoperating Expenses	(1,348,515)
Total Nonoperating Revenues (Expenses), Net	**165,368,212**
Income Before Other Revenues, Expenses, Gains and Losses	**(99,172,432)**
Capital Grants and Gifts	5,329,906
State Appropriations Restricted for Capital Purposes	7,353,106
Additions to Permanent Endowments	80,279
Other Deletions	(1,202,740)
Change in Net Position	**(87,611,881)**
Net Position	
Net Position - Beginning of Year, as Adjusted (Note # 1)	(122,392,315)
Net Position - End of Year	**$ (210,004,196)**

See accompanying notes to financial statements.

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

	June 30 2018
Operating activities:	
Tuition and fees	$ 31,004,350
Grants and contracts	63,014,101
Sales and services of educational departments	1,149,912
Payments to suppliers	(441,101,299)
Payments to employees for salaries and benefits	(903,231,966)
Payments for utilities	(13,419,630)
Payments for scholarships and fellowships	(4,148,530)
Loans issued to students	(1,397,761)
Collection of loans to students	2,580,671
Auxiliary enterprise charges:	
Bookstore	2,368,198
Other auxiliary enterprises	1,568,443
Patient care services	1,117,364,045
Interest earned on loans to students	440,589
Other receipts	49,359,492
Other payments	(928,734)
Net cash used in operating activities	**(95,378,119)**
Noncapital financing activities:	
State appropriations	158,246,213
Gifts and grants for other than capital purposes	7,857,065
Private gifts for endowment purposes	80,279
Federal loan program receipts	37,788,170
Federal loan program disbursements	(37,788,170)
Other sources	27,942
Net cash provided by noncapital financing activities	**166,211,499**
Capital and related financing activities:	
Proceeds from capital debt	163,538,908
Cash paid for capital assets	(48,987,186)
Capital grants and contracts received	5,063,371
Proceeds from sales of capital assets	69,747
Principal paid on capital debt	(72,750,000)
Interest paid on capital debt	(13,329,501)
Other uses	(3,739,585)
Net cash provided by capital and related financing activities	**29,865,754**
Investing activities:	
Proceeds from sales and maturities of investments	120,691,181
Interest received on investments	7,670,859
Purchases of investments	(205,057,788)
Net cash used in investing activities	**(76,695,748)**
Net change in cash and cash equivalents	**24,003,386**
Cash and cash equivalents - beginning of year	324,502,160
Cash and cash equivalents - end of year	**$ 348,505,546**

See accompanying notes to financial statements.

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

		June 30 2018
Reconciliation of operating loss to net cash used in operating activies:		
Operating Loss	$	(264,540,644)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		47,121,483
Self-insured claims expense		6,622,696
Bad debt cxpense		152,136,158
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net		(160,336,569)
Loans to students		(2,466,594)
Inventories		(2,783,838)
Prepaid expenses		1,030,094
Deferred outflows of resources		153,990,345
Other assets		531,579
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities		8,559,896
Unearned revenues		(4,038,633)
Accrued leave liability		(2,026,933)
Net OPEB liability		(2,100,043)
Net pension liability		(75,860,146)
Deferred inflows of resources		26,003,214
Other liabilities		22,779,816
Total adjustments:		169,162,525
Net cash used in operating activities	$	(95,378,119)
Reconciliation of cash and cash equivalents:		
Current Assets - cash and cash equivalents	$	294,722,624
Noncurrent assets - cash and cash equivalents		53,782,922
Cash and cash equivalents - end of year	$	348,505,546
Noncash Transactions		
1.) Unrealized gain/(loss) on fair value of investments	$	1,940,109
2.) Bureau of Buildings and Grounds - construction in progress and buildings		7,353,106
3.) Donation of capital assets		266,535

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

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

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

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

The Medical Center's financial statements include the accounts of the University of Mississippi Medical Center Educational Building Corporation (MCEBC), an educational building corporation and a nonprofit corporation incorporated in the State of Mississippi established in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of this corporation is for the acquisition, construction, and equipping of facilities and land for the Medical Center. In accordance with Governmental Accounting Standards Board Statement (GASB) No. 61, *The Financial Reporting Entity: Omnibus*, this educational building corporation is deemed to be a material component unit of the Medical Center and is reported as a blended component unit. See Note 16 for detailed MCEBC activities.

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Included in other non-current liabilities are unpaid claim liabilities relating to the Medical Center's tort claim fund. The liabilities for these unpaid claims are determined using both evaluations of each claim and statistical analyses and represent the estimated ultimate net cost of all claims and expenses incurred through the end of the reporting period. The determinations of claims payable include estimates that are particularly susceptible to change in the near term. Management believes that liabilities established for these unpaid claims at June 30, 2018 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 and beneficial interests in irrevocable trusts.

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

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.

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 28.5% and 30.9 %, respectively, of the Medical Center's net patient service revenues for the year ended June 30, 2018. 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 $8,565,399 for EHR incentive revenue for the fiscal year ending June 30, 2018. 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, 2016 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 believes 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 2018 was $2.25 million.

Note 1 – Summary of Significant Accounting Policies (continued)

Hospital Reimbursement (continued) – Over eight years ago, the Division of Medicaid (DOM) notified all providers in the State of Mississippi of a change in the methodology used to reimburse outpatient services. DOM had adopted a payment methodology for outpatient services at a fixed cost to charge ratio that was increased each year by an inflationary index. At that time, DOM issued letters to all providers of an updated reimbursement percentage based on more current cost data. They also stated they intend to apply the revised methodology back to October 1, 2005. As a result of this change, 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 to DOM for these and other claims adjustments. No repayments were made during FY18. At June 30, 2018, UHHS maintains a reserve of approximately $47.0 million for Medicaid rate recalculations, Medicaid DSH audits, 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 – Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in a statement of net position and is displayed in three components – net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

New Accounting Standard and Restatement - On June 30, 2017, The Medical Center adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires cost-sharing entities providing postemployment benefits other than pensions (OPEB) to their employees to recognize their proportionate share of the total OPEB liability (TOL), which is measured as the TOL less the amount of the OPEB plan's fiduciary net position. The statement also requires a determination of an OPEB expense (OE), including amounts for service cost, interest on the TOL, employee contributions, administrative expenses, other cash flows during the year, recognition of increases/decreases in the TOL due to changes in the benefit structure, actual versus expected experience, actuarial assumption changes, and recognition of investment gains and losses. The actual experience and assumption changes impacts are recognized over the average expected remaining service life of the plan membership as of the beginning of the measurement period, while investment gains/losses are recognized equally over five years. The unrecognized portions of each year's experience, assumption changes and investment gains/losses are used to develop deferred inflows and outflows of resources, which also must be included on the statement of net position. Prior to adopting this Statement, the Medical Center reported OPEB expense based on cash contributions to the State and School Employees' Life and Health Insurance Plan (plan administrator). In addition to the reporting changes described above, implementation of this Statement resulted in the adjustment of fiscal year 2017 beginning unrestricted net position, reducing it by $57,494,849.

The Medical Center elected to implement GASB 75 on June 30, 2017 because it was not practical to implement at the beginning of fiscal year 2017 due to lack of available information to prepare comparative financial statements related to the implementation. As a result, net OPEB liability is recorded at the beginning of fiscal year 2018. The following schedule summarizes the impact on net position for fiscal year 2017.

Note 1 – Summary of Significant Accounting Policies (continued)

Net position - beginning of year, as previously reported	$	13,573,750
Less: Effect of adoption of GASB 75		(59,763,754)
Beginning of the year, as adjusted		(46,190,004)
Changes in net position, as previously reported		(78,471,216)
Implicit rate subsidy for FY17		2,268,905
Change in net position, as adjusted		(76,202,311)
Net position - end of year, as adjusted	$	(122,392,315)

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, 2018 is as follows:

Investment Type		2018
Cash		294,722,624
Restricted Cash		53,782,922
Certificate of Deposits		10,085,884
Collateralized Mortgage Obligations		10,263,206
Common Stock		2,064,912
Equity Hedge Fund		7,483,155
Fixed Income Hedge		3,215,156
Foreign Stock		55,314
International Equity Fund		6,727,763
Investment Companies - Closed End		196,379
Mortgage Backed Securities		649,992
Multi-strategy Hedge fund		2,716,005
Municipal Obligations		8,847,972
Mutual Funds Tax Exempt		17,134
Preferred Stock		29,490
Mutual Funds - Fixed Income		5,984,358
Mutual Funds Equity		11,353,133
Mutual Fund - Dividend Reinvest held by bank		2,777,149
Partnerships		46,218,395
Repurchase Agreement		84,692,059
Short Term Investments		1,055,265
U.S. Government Agency Obligations		95,854,349
Land		5,964,240
	$	654,756,856

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, 2018.

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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, 2018, the Medical Center had the following investments subject to interest rate risk:

2018					
		Years to Maturity			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Certificate of Deposits	$ 10,085,884	$ 10,085,884	$ -	$ -	$ -
Collateralized Mortgage Obligations	10,263,206			830,726	9,432,480
Mortgage Backed Securities	649,992		7,321		642,671
Municipal Obligations	8,847,972	2,449,458	4,585,876	1,812,638	
Mutual Funds - Fixed Income	5,984,358		32,983	5,935,151	16,224
U.S. Government Agency Obligations	95,854,349	24,377,730	66,847,319	4,629,300	
Total	$ 131,685,761	$ 36,913,072	$ 71,473,499	$ 13,207,815	$ 10,091,375

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, 2018, the Medical Center had the following investments in credit risk:

2018					
		Credit Risk Ratings			
Investment Type	Fair Value	Aa2	Aaa	Not Rated	Rating Not Available
Collateralized Mortgage Obligations	$ 10,263,206	$ -	$ -	$ -	10,263,206
Mortgage Backed Securities	649,992	-	-	-	649,992
Municipal Obligations	8,847,972	8,847,972	-	-	-
Mutual Funds - Fixed Income	5,984,358				5,984,358
U.S. Government Agency Obligations	95,854,349		80,736,490	3,492,685	11,625,174
Total	$ 121,599,877	$ 8,847,972	$ 80,736,490	$ 3,492,685	$ 28,522,730

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

Note 2 – Cash and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is defined by GASB Statement No. 40 as the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2018, the Medical Center had the following issuers holding investments that exceeded 5% of total investments:

	2018	
Issuer	**Fair Value**	**% of Total Investments**
Federal Home Loan Bank Note	$ 11,426,400	5.16%
U.S. Treasury Notes	43,784,783	19.76%

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, 2018, the Medical Center had the following exposure to foreign currency risk summarized and categorized by currency:

Internationl Equity Mutual Funds And Foreign Stock	2018
European Euro	$ 189,869
UK Pounds	941,887
Japan Yen	1,210,997
Hong Kong Dollars	269,111
India Rupee	1,345,553
China Renminbi	470,943
All other currency	605,499
	$ 5,033,859

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

Note 2 – Cash and Investments (continued)

- Level 3 inputs are unobservable inputs for the financial asset or liability.

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

The following tables present the financial assets carried at fair value by level within the valuation hierarchy, as well as the assets measured at the net asset value (NAV) per share as a practical expedient as of June 30, 2018:

	2018			
Investment strategy:	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed income investments:				
U.S. Government securities	$ 53,827,385	$ 52,768,199		$ 106,595,584
Certificates of deposit		10,085,884		10,085,884
Municipal Obligations		9,019,935		9,019,935
Total fixed income investments	53,827,385	71,874,018	-	125,701,403
Equity securities:				
Mutual funds	11,861,037			11,861,037
International Equity	11,589,808			11,589,808
Total equity securities	23,450,845	-	-	23,450,845
Investments measured at NAV as a practical expedient:				
Equity Long/Short Hedge Funds				35,155,155
Venture capital				20,088,029
Land				5,964,240
Other miscellaneous investments				11,199,579
Total Investments measured at NAV				72,407,003
Total investments measured at fair value				$ 221,559,251

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:

2018					
Investment		Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Equity long/short hedge funds	$	35,155,155	-	Quarterly	75 Days
Venture capital		20,088,029	8,094,947	Quarterly	75 Days
Land		5,964,240	-		
Other miscellaneous investments		11,199,579	-		
Total Investments Measured at NAV	$	72,407,003			

Note 3 – Accounts Receivable

Accounts receivable consisted of the following at June 30, 2018, respectively:

		2018
Student Tuition	$	2,908,902
Auxiliary enterprises and other operating activities		49,864
Federal, state, and private grants and contracts		15,744,808
State Approprapriations		402,233
Accured interest		816,825
Patient Income		644,615,645
Other		13,402,828
Total accounts receivable		677,941,105
Less allowance for doubtful accounts		(491,340,112)
Net accounts receivable	$	186,600,993
Current Portions of Accounts Recievable	$	182,734,617
Non-Current Portion of Accounts Receivable		3,866,376
Net accounts receivable	$	186,600,993

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, 2018, respectively:

	Interest Rates	2018	Current Portion	Non-Current Portion
Perkins student loans	5%	$ 5,326,729	$ 263,434	$ 5,063,295
Nursing student loans	3% to 5%	743,269	85,255	658,014
Medical student loans	5%	156,780	9,894	146,886
Dental student loans	5%	296,247	35,352	260,895
Institutional loans	0% to 10%	4,773,417	277,610	4,495,807
Total notes receivable		11,296,442	671,545	10,624,897
Less allowance for doubtful accounts		2,824,615	67,154	2,757,461
Net notes receivable		$ 8,471,827	$ 604,391	$ 7,867,436

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018, respectively, is presented as follows:

	06/30/2017	Additions	Deletions / Transfers	06/30/2018
Nondepreciable Capital Assets:				
Land	$ 9,423,441	$ -	$ -	$ 9,423,441
Construction in Progress	169,700,780	38,790,617	176,347,919	32,143,478
Total Nondepreciable Capital Assets	$ 179,124,221	$ 38,790,617	$ 176,347,919	$ 41,566,919
Depreciable Capital Assets:				
Buildings	$ 495,367,698	$ 161,986,546	$ 157,500	$ 657,196,744
Improvements other than Buildings	12,888,792	13,551,094	-	26,439,886
Equipment	401,231,348	37,171,800	16,047,636	422,355,512
Library Books	58,002,267	3,819,789	16,300	61,805,756
Total Depreciable Capital Assets	$ 967,490,105	$ 216,529,229	$ 16,221,436	$ 1,167,797,898
Total Capital Assets	$ 1,146,614,326	$ 255,319,846	$ 192,569,355	$ 1,209,364,817
Less Accumulated Depreciation for:				
Buildings	$ 172,069,112	$ 12,467,128	$ 63,025	$ 184,473,215
Improvements other than Buildings	7,454,272	917,192	-	8,371,464
Equipment	265,731,238	30,850,383	14,846,861	281,734,760
Library Books	44,600,568	2,886,780	16,300	47,471,048
Total Accumulated Depreciation	$ 489,855,190	$ 47,121,483	$ 14,926,186	$ 522,050,487
Capital Assets, Net	$ 656,759,136	$ 208,198,363	$ 177,643,169	$ 687,314,330

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 & Fixed Equipment	7-40 years	0%	$ 50,000
Improvements other Than Buildings	20 years	0%	25,000
Equipment	3-25 years	0%	5,000
Software & Implementation Costs	3-10 years	0%	50,000
Library Books	10 years	0%	-

Note 6 – Deferred Outflows of Resources

Deferred outflows of resources as of June 30, 2018, respectively, are as follows:

	2018
Implementation of GASB 68 - Accounting and Reporting for Pensions:	
Difference between Expected and Actual Experience	$ 17,426,512
Changes in Assumptions	26,959,597
Changes in Proportionate Share	26,757,059
Contributions Subsequent to the Measurement Date	73,927,567
Implementation of GASB 75 - Other Postemployment Benefits:	
Change in Proportion and Differences Between Employer OPEB Benefit Payments and Proportionate Share of OPEB Benefit Payments	206,672
Implicit Rate Subsidy	2,458,288
Accumulated Deferred Amount of Debt Refunding	4,452,879
Acquisition of Grenada Radiology Imaging	64,320
	$ 152,252,894

Note 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2018, respectively, are as follows:

	2018
Payable to vendors and contractors	$ 76,693,254
Accrued salaries, wages and employee withholdings	51,173,374
Accrued Interest	1,315,355
Total	$ 129,181,983

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

Note 8 – Unearned Revenues

Unearned revenues as of June 30, 2018, respectively, are as follows:

	2018
Unearned school revenue	$ 6,621,577
Unearned grants and contracts revenue	5,931,690
Other unearned revenue	500
Total	$ 12,553,767

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, 2018, 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, 2018, respectively, is listed in the following schedules.

	Original Issue	Annual Interest Rate	Maturity	June 30, 2017	Additions	Deletions	June 30, 2018	Due Within One Year
Bonded Debt								
Series 1998B	$ 41,075,000	3.88% to 5.90%	2024	$ 23,670,000	$ -	$ 2,865,000	$ 20,805,000	$ 3,020,000
Series 2009	105,605,000	2.00% to 5.00%	2034	71,635,000	-	69,085,000	2,550,000	2,550,000
Series 2010A	24,870,000	5.92% to 6.69%	2032	24,870,000	-	-	24,870,000	-
Series 2010B	20,000,000	6.840%	2035	20,000,000	-	-	20,000,000	-
Series 2010C	5,130,000	2.50% to 5.00%	2020	1,735,000	-	555,000	1,180,000	575,000
Series 2012A	51,860,000	4.00% to 5.00%	2041	51,860,000	-	-	51,860,000	-
Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	-	-	53,390,000	-
Series 2017A	137,635,000	3.00% to 5.00%	2047	-	137,635,000	245,000	137,390,000	-
Series 2017B	12,345,000	2.45% to 3.10%	2024	-	12,345,000	-	12,345,000	-
Unamortized Premium				3,842,988	13,558,908	2,848,573	14,553,323	687,314
Total Bonded Debt				251,002,988	163,538,908	75,598,573	338,943,323	6,832,314
Other Long-term Liabilities								
Accrued leave liabilities				59,128,227	3,529,691	5,556,624	57,101,294	5,305,097
Federal portion of Federal student loans				4,453,811	138,845	485,863	4,106,793	-
Tort claim liability				35,352,504	4,421,532	3,886,036	35,888,000	5,311,000
Net OPEB liability				59,763,754	-	2,100,043	57,663,711	-
Net pension liability				1,288,831,062	251,490,560	327,350,706	1,212,970,916	-
Total Other Long-term Liabilities				1,447,529,358	259,580,628	339,379,272	1,367,730,714	10,616,097
Total				$ 1,698,532,346	$ 423,119,536	$ 414,977,845	$ 1,706,674,037	$ 17,448,411
Due within one year							17,448,411	
Total long-term liabilities							$ 1,689,225,626	

Note 9 – Long-term Liabilities (continued)

Revenue Bonds Payable

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

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

Associated with the refunding is an amount related to the 2008A and 2008B bonds for termination of an interest swap agreement. The termination payment is being amortized over 25 years, because at the date of refunding, the 2008A and 2008B bonds had a life remaining of less than the 2009 refunding bonds. Additionally, the Corporation recognized a loss on the refunding associated with the repayment of the 2009 bonds in 2017 of $662,632. This amount is being amortized over 15 years, which is the original remaining life of the 2009 bonds. The combined unamortized balance of each of these items is being reported on the statements of net position as deferred outflows of resources. The unamortized balance of this amount was $4,452,879 at June 30, 2018, 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.

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

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

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

Note 9 – Long-term Liabilities (continued)

Scheduled maturities of bonded debt at June 30, 2018 are as follows:

Fiscal Year Ended:	Principal	Interest	Total
2019	6,832,314	14,972,229	21,804,543
2020	7,077,910	14,830,246	21,908,156
2021	7,323,827	14,582,522	21,906,349
2022	7,613,827	14,280,218	21,894,045
2023	7,918,826	13,959,503	21,878,329
2024-2028	41,694,132	64,512,860	106,206,992
2029-2033	52,369,132	53,113,488	105,482,620
2034-2038	68,974,132	38,609,874	107,584,006
2039-2043	77,620,727	21,043,923	98,664,650
2044-2047	61,518,496	5,025,104	66,543,600
Totals	$ 338,943,323	$ 254,929,967	$ 593,873,290

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:

2019	$ 14,202,488
2020	13,546,004
2021	12,792,988
2022	12,335,683
2023	10,586,269
2024-2028	51,107,444
2029-2033	37,496,567
2034	1,170,000
Total Minimum Payments Required	$ 153,237,443

The total rental expense for all operating leases, except those renewed with terms of a month or less that were renewed, for the fiscal year ending June 30, 2018 was $15,224,629 respectively.

Note 11 – Natural Classifications with Functional Classifications (continued)

The Medical Center's operating expenses by functional classification were as follows for the year ended June 30, 2018:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$ 89,993,310	$ 33,129,246	$ 2,006,382	$ 5,748,408	$ -	$ -	$ 4,242,709	$ -	$ -	$ 135,120,055
Hospital Instruction	28,659,042	13,480,417	3,294	5,551,144	-	-	37,945	-	-	47,731,842
Research	33,317,801	13,335,535	967,481	6,742,577	-	-	4,372,408	-	-	58,735,802
Public Service	6,501,202	2,766,108	361,070	2,496,086	7,290	-	795,357	-	-	12,927,113
Academic Support	9,257,456	3,620,567	327,197	1,398,882	-	-	924,000	-	-	15,528,102
Student Services	886,408	387,676	16,393	97,137	-	-	81,619	-	-	1,469,233
Institutional Support	53,458,503	23,009,532	494,684	32,238,998	-	-	6,636,046	-	-	115,837,763
Operation of Plant	8,618,009	4,063,513	1,755	11,690,678	12,036,647	-	1,500,795	-	-	37,911,397
Student Aid	-	-			-	4,191,839	-	-	-	4,191,839
Auxiliary Enterprises	1,400,402	674,876	3,347	717,707	-	-	2,648,770	-	-	5,445,102
Depreciation	-	-			-	-	-	47,121,483	-	47,121,483
Hospital	488,923,484	192,279,422	1,315,550	112,202,774	1,375,693	-	238,007,830	-	-	1,034,104,753
Loan Fund	-	-		-	-	-	-	-	926,500	926,500
Total Operating Expenses	721,015,617	286,746,892	5,497,153	178,884,391	13,419,630	4,191,839	259,247,479	47,121,483	926,500	1,517,050,984

Note 12 – Construction Commitments and Financing

The Medical Center has contracted for various construction projects as of June 30, 2018. 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	$ 4,091,427	$ -	$ 4,091,427	$ -	$ -
Clinical Research Unit	7,318,683	-	7,318,683	-	-
Translational Research Center	961,181	-	-	961,181	-
Install Modular Building Lexington Hospital	393,500	-	-	393,500	-
Renovate CV003 Radiology	7,343,657	-	-	7,343,657	-
Ticket Dispenser Replacement Lots 17 & 21	30,401	-	-	30,401	-
Renovate SOM Exterior Entrance	623,671	-	-	623,671	-
Renovate Main Pharmacy	2,800,137	-	-	2,800,137	-
Install Sterilization Equipment in WC002	74,339	-	-	74,339	-
Construct EDH Funded Project	24,173	-	-	24,173	-
Renovate MRI Grenada	10,000	-	-	10,000	-
Renovate Radiology Building	15,638	-	-	15,638	-
Meridian Conference Room	47,705	-	-	47,705	-
Baston Children's Hospital Expansion	91,064,320	-		69,750	90,994,570
Renovate ICU Waiting Rooms	414,377	-	-	414,377	-
GE MRI Replacement	6,261	-	-	6,261	-
Renovate Farmer's Market	32,331	-	-	-	32,331
Lab Space for Pre-Anesthesia Testing	514,485	-	-	514,485	-
Renovate Lab into Pathology Space	27,631	-	-	27,631	-
Relocate Radiology Reading Rooms	5,330	-	-	5,330	-
Renovate Pediatric Pharmacy in W101-02	616,410		-	416,410	200,000
Stairwell 12 Exit Access	124,697	-	-	124,697	-
Install Doors in Critical Tower	83,351	-	-	83,351	-
Renovate Children's MRI	135,000	-	-	135,000	-
Campus Wellness Center	62,195	-	-	62,195	-
Replace Pavilion Roof	1,154,285	-	-	1,154,285	-
School of Population Health Build-Out	4,977,458	-	-	4,062,458	915,000
H743 Psychiatry Renovations	239,754	-	-	239,754	-
MDOT Crosswalk Project	100,000	-	-	100,000	-
UP Belhaven Phase II Renovations	684,822	-	-	684,822	-
JMM Pharmacy Compliance	396,802	-	-	396,802	-
CRET Renovations SOD	457,860	-	-	457,860	-
SHRP Drainage Remediation	321,000	-	-	321,000	-
Additional Vacuum Outlets N400-13	238,302	-	-	238,302	-
Helicopter Transport Greenwood	97,766	-	-	97,766	-
MedCom Renovations 2014	173,176	-	-	173,176	-
Fire Wall Barrier Repair	87,084	-	-	87,084	-
Adult Hospital Sidewalk Repairs	498,300	-	-	498,300	-
6C Medivator Repair	3,350	-	-	3,350	-
Grenada Pharmacy Changes	25,567	-	-	25,567	-
Renovations for new X-Ray Equipment	110,000	-	-	110,000	-
NICU Milk Bank W117	180,909	-	-	180,909	-
DIS/CIA Relocation-JMM	69,219	-	-	69,219	-
Additional Cooling & Exhaust Children's Lab	116,322	-	-	116,322	-
Access Center Renovations JMM	46,450	-	-	46,450	-
UP Belhaven Exterior Repair	27,928	-	-	27,928	-
Supply Chain Test Fit-Laundry Building	202,000	-	-	202,000	-
Renovation in S336 S337 S338 S359 S360 S361	142,166	-	-	142,166	-
Wall Install E004-A	66,000	-	-	66,000	-
Gross Anatomy Phase II Renovations	287,990	-	-	287,990	-
MS Center for Emergency Services	8,376,336	8,376,336	-	-	-
Total	$ 135,901,746	$ 8,376,336	$ 11,410,110	$ 23,973,399	$ 92,141,901

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, 2017 for fiscal year 2018.

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

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

Disclosures under GASB Statement No. 68 – The pension disclosures that follow for fiscal year 2018 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2017). For fiscal year 2018, the measurement date for the PERS defined benefit plan is June 30, 2017. The Medical Center is presenting net pension liability as of June 30, 2017 for the fiscal year 2018 financials.

(a) PERS Defined Benefit Plan

Plan Description – The PERS of Mississippi was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, 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 were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the year ended June 30, 2018 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 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the Medical Center are recognized when legally due, based on statutory requirements.

Note 13 – Pension Plan (continued)

Employer Contributions – The University of Mississippi Medical Center's contributions to PERS for the year ended June 30, 2018 was $74.5 million. The Medical Center's proportionate share was calculated on the basis of historical contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the Medical Center that are not representative of future contribution effort are excluded in the determination of employer's proportionate share. Examples of employer contributions not representative of future contribution efforts are contributions 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	$ 73,724,479	7.30%	0.08%

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, 2018 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	0.00
	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, 2018 is as follows:

Plan	Proportion of net pension liability		Proportionate share of net pension liability
PERS Defined Benefit	7.297%	$	1,212,970,916

Discount rate – For the year ended June 30, 2018, 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 year ended June 30, 2018. 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 Rat – The following table presents The University of Mississippi Medical Center's proportionate share of the net pension liability of the cost-sharing plan for 2018, 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	1,590,892,334	1,212,970,916	899,214,015

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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016.

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 year ended June 30, 2018:

	2018
Valuation date	June 30, 2017
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	3.00 %
Salary increases	3.25
Investment rate of return	7.75

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with rates set forward one year for males with adjustments.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Unaudited) - For the year ended June 30, 2018, the non-cash impact of GASB Statement No. 68 on fringe benefits was $101.7 million, respectively.

	Total fringe benefits expense	Non-cash change in net pension liability and related deferred inflows and outflows due to GASB 68	Non-cash change in net OPEB liability and related deferred inflows and outflows due to GASB 75	Fringe benefits expense excluding non-cash impact of GASB 68 And 75
2018	286,746,892	(101,657,576)	(440,114)	184,649,202

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

Note 13 – Pension Plan (continued)

See the following tables for deferred outflows and inflows of resources for the Medical Center as of June 30, 2018:

Deferred outflows					Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
17,426,512	26,959,597	26,757,059	73,927,567	145,070,735	15,573,643	2,066,883	8,850,691	26,491,217

Contributions subsequent to the measurement date of $73.9 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions as of June 30, 2018, will be recognized in pension expense as follows:

Deferred outflows of resources year ended June 30				
2019	2020	2021	2022	Total
57,662,182	11,913,545	1,567,441	-	71,143,168

Deferred inflows of resources year ended June 30				
2019	2020	2021	2022	Total
18,410,489	(14,412,747)	(936,710)	23,430,185	26,491,217

(b) 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 Medical Center 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 the Medical Center 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 year ended June 30, 2018 was $26.4 million, which equaled its required contribution for the period.

Note 14 – Postemployment Health Care and Life Insurance Benefits

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

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

Membership and Benefits Provided – The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

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

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

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

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

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

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

At June 30, 2017, the Plan provided health coverage to 334 employer units.

Disclosures under GASB Statement No. 75 – The disclosures that follow for fiscal year 2018 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2017). For fiscal year 2018, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2017. The Medical Center is presenting net OPEB liability as of June 30, 2017 for the fiscal year 2018 financials.

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

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

At June 30, 2018, the Medical Center reported a liability of $57.7 million for its proportionate share of the net OPEB liability (NOL). The NOL was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2018, the Medical Center's proportion was 7.35%.

For the year ended June 30, 2018, the Medical Center recognized OPEB expense of $2,862,133. The Medical Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred outflows			Deferred inflows	
Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate sibsidy	Total deferred outflows of resources	Changes of assumptions	Total deferred inflows of resources
206,672	2,458,288	2,664,960	2,936,212	2,936,212

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

OPEB payments subsequent to the measurement date (implicit rate subsidy) of $2.5 million reported as deferred outflows of resources will be recognized as a reduction of the NOL for the year ended June 30, 2019.

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2017 measurement period is 6.7 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

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

Deferred outflows (inflows) of resources year ended June 30						
2019	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
(478,740)	(478,740)	(478,740)	(478,740)	(478,740)	(335,840)	(2,729,540)

Actuarial Methods and Assumptions

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Experience study	April 18, 2017
Actuarial assumptions:	
Cost method	Entry age normal
Inflation rate	3.00 %
Long-term expected rate of return	N/A
Discount rate	3.56 %
Projected cash flows	N/A
Projected salary increases	3.25% - 18.50%
Healthcare cost trend rates	7.75% decreasing to 5.00% by 2023

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

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

Mortality – Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 (measurement date) was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return – Since there were no assets in a trust as of the measurement date, there is no projection of cash flows for the plan and no long-term expected rate of return on plan assets.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table presents the NOL of the Medical Center, calculated using the discount rate of 3.56%, as well as what the Medical Center's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (2.56%)	Current discount rate (3.56%)	1% Increase (4.56%)
2018	59,186,571	57,663,711	56,529,632

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

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

	Health Care Cost Trend Rates Sensitivity		
	1% Decrease	Current discount rate	1% Increase
2018	53,256,302	57,663,711	62,695,228

Note 15 – Deferred Inflows of Resources

Deferred outflows of resources as of June 30, 2018 are as follows:

		2018
Implementation of GASB 68 - Accounting and Reporting for Pensions:		
Difference between Expected and Actual Experience	$	8,850,691
Difference between Projected and Actual Investment Earnings		15,573,643
Changes in Assumptions		2,066,883
Implementation of GASB 75 - Other Postemployment Benefits:		
Changes in Assumptions		2,936,212
Beneficial Interest in Irrevocable Trusts		33,592,648
	$	63,020,077

Note 16 – Material Component Unit of the Medical Center

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Medical Center Educational Building Corporation is deemed to be a material component unit of the Medical Center but is presented on a blended basis in the accompanying financial statements due to the significance of its activities to the Medical Center's operations. Condensed financial information as of June 30, 2018 is listed in the following schedule:

		2018
Current assets	$	7,620,439
Noncurrent asset		338,205,448
Total assets		345,825,887
Deferred Outflows of Resources		4,452,879
Current liabilities		16,742,416
Noncurrent liabilities		332,798,323
Total liabilities		349,540,739
Total net position		738,027
Operating revenues		13,707,137
Operating expenses		13,496,585
Total operating income (loss)		210,552
Change in net position	$	210,552

Note 17 – Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure was $20,335,533 as of June 30, 2018 respectively. These amounts are included on the Statement of Net Position in "Net Position - Expendable for Other Purposes".

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

Note 18 – Federal Loan Program Disbursements

The Medical Center distributed federal loan funds for the year ended June 30, 2018 as follows:

	2018
William D. Ford Direct Loan Program	36,756,872
Federal Perkins Loan Program	850,882
Health and Human Services Loan Program	180,416
Total	37,788,170

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

Note 19 – 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%
2018	7.30%	1,212,970,916	468,091,930	259.13%	61.49%

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

	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	Actual Covered-employee payroll	Contribution as a percentage of covered-employee payroll
2015	$ 68,736,092	$ (68,736,092)	$ -	$ 436,419,632	15.75%
2016	71,818,771	(71,818,771)	-	455,992,197	15.75%
2017	72,327,391	(72,327,391)	-	459,221,530	15.75%
2018	73,927,567	(73,927,567)	-	469,381,378	15.75%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

	Proportionate share of the net OPEB liability	Proportionate share of the net OPEB liability	Covered-employee payroll	Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	7.35%	$ 57,663,711	$ 330,186,370	17.46%	0.00%

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

	Contractually required contribution	Contributions in relation to the contractually required	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	$ 3,209,684	$ 2,268,893	$ 940,791	$ 330,186,370	0.69%

Notes to Required Supplementary Information (Unaudited)
June 30, 2018

(1) Net Pension Liability

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

This schedule presents historical trend information about the Medical Center's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

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

The required contributions and percentage of those contributions actually made are presented in the schedule. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

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

Changes of assumptions for 2018:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022;
- The wage inflation assumption was reduced from 3.75% to 3.25%;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- In fiscal year 2018, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Changes of benefit terms*:* Amounts reported for fiscal year 2018 reflect no changes in benefit terms.

(2) Net OPEB liability

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

This schedule presents historical trend information about the Medical Center's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the plan. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

Notes to Required Supplementary Information (Unaudited)
June 30, 2018

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

The required contributions and percentage of those contributions actually made are presented in the schedule. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

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

Changes of assumptions: The SEIR was changed from 3.01% for the prior measurement date to 3.56% to the current measurement date.

Changes of benefit terms: Amounts reported for fiscal year 2018 reflect no changes in benefit terms.