



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

**STEVEN A. PATTERSON
State Auditor**

**WILLIAM S. JONES, CPA
Director, Department of Audit**

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Director, Division of College and University Audits**

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

**Audited Financial Statements
For the Year Ended June 30, 1995**

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

FINANCIAL AUDIT REPORT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STEVEN A. PATTERSON
AUDITOR

INDEPENDENT AUDITOR'S REPORT

January 12, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the accompanying balance sheet of the University of Mississippi Medical Center as of June 30, 1995, the related statement of changes in fund balances and the statement of current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the University of Mississippi Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Mississippi Medical Center at June 30, 1995, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed as supplemental information in the table of contents, including the Schedule of Federal Financial Assistance and the Schedule of Disbursements for Each Student Financial Assistance Program, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the University of Mississippi Medical Center. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated January 12, 1996 on our consideration of the University of Mississippi Medical Center internal control structure and a report dated January 12, 1996 on its compliance with laws and regulations.

A handwritten signature in black ink, appearing to read "Wm S Jones", with a long horizontal line extending to the right.

WILLIAM S. JONES, CPA
Director, Department of Audit

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

AUDITED FINANCIAL STATEMENTS

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
 Balance Sheet
 June 30, 1995
 (With Comparative Figures at June 30, 1994)

Exhibit A

ASSETS	Current Year	Prior Year	LIABILITIES AND FUND BALANCES	Current Year	Prior Year
Current Funds			Current Funds		
Current Unrestricted Funds:			Current Unrestricted Funds:		
Cash and other deposits (Note 4)	\$ 64,442,606	41,991,142	Accounts payable and accrued expenses	\$ 13,881,510	11,247,268
Investments (Note 5)	1,716,170		Accrued leave (Note 3)	10,954,323	9,830,064
Accounts receivable:			Contingent liability-3rd party (Note 13)	15,200,311	14,692,404
Other	674,866	620,286	Deposits refundable	52,365	40,662
State appropriation	412,275	412,277	Deferred credits	386,560	426,457
Students, less allowance of \$12,224 (1995) and \$10,508 (1994)	252,645	192,961	Other liabilities	10,431	
Patient, less allowance of \$487,354,644 (1995) and \$452,962,061 (1994)	32,058,804	26,881,603	Fund balances:		
Inventories	5,760,715	5,294,412	Allocated		
Prepaid items and deferred charges	363,976	288,046	General	17,974,867	2,464,680
			Designated	726,419	760,313
			Auxiliary	110,243	99,641
			Unallocated		
			General	37,614,163	29,869,248
			Designated	7,100,476	4,888,238
			Auxiliary	1,670,389	1,361,752
			Total Current Unrestricted Funds	105,682,057	75,680,727
Total Current Unrestricted Funds	105,682,057	75,680,727			
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)	4,487,364	4,232,003	Accounts payable and accrued expenses	529,236	382,194
Investments (Note 5)	6,012	6,012	Accrued leave (Note 3)	387,660	283,031
Other accounts receivable	1,446,620	947,509	Fund balance:		
			Allocated	5,023,100	4,520,299
			Total Current Restricted Funds	5,939,996	5,185,524
Total Current Restricted Funds	5,939,996	5,185,524			
Total Current Funds	\$ 111,622,053	80,866,251	Total Current Funds	\$ 111,622,053	80,866,251

Loan Funds		
Cash and other deposits (Note 4)	\$ 956,800	1,059,459
Other accounts receivable	1,383	3,574
Notes receivable:		
Federal student loans, less allowance of \$146,383 (1995) and \$146,489 (1994) (Note 6)	9,307,861	8,552,409
Institutional student loans, less allowance of \$107,539 (1995) and \$30,806 (1994) (Note 6)	771,850	512,057
Total Loan Funds	\$ <u>11,037,894</u>	<u>10,127,499</u>

Endowment and Similar Funds		
Cash and other deposits (Note 4)	\$ 2,085,088	
Investments (Note 5)	7,806,379	8,828,770
Deposits held		
Total Endowment & Similar Funds	\$ <u>9,891,467</u>	<u>8,828,770</u>

Plant Funds		
Cash and other deposits (Note 4)	\$ 39,981,144	93,354,708
Investments (Note 5)	61,297,738	1,455,660
Other accounts receivable	1,171,197	1,443,116
Land	1,038,868	1,038,868
Improvements other than buildings	1,834,096	1,834,096
Buildings	91,941,485	76,381,557
Furniture, machinery and equipment	91,293,066	85,706,879
Books and films	8,719,566	7,470,829
Construction in progress (Note 9)	13,172,215	17,241,180
Funds held on deposit with Bureau of Buildings	466,579	744,075
Total Plant Funds	\$ <u>310,915,954</u>	<u>286,670,968</u>

Agency Funds		
Cash and other deposits (Note 4)	\$ 516,041	479,537
Other accounts receivable	309	6,313
Deferred compensation plan assets at fair market value (Note 11)	5,060,943	4,909,857
Total Agency Funds	\$ <u>5,577,293</u>	<u>5,395,707</u>

Loan Funds		
Accounts payable and accrued expenses	\$ 2,500	1,250
Due to other funds		
Fund balances:		
Federal	10,082,882	9,409,489
Institution	952,512	716,760
Total Loan Funds	\$ <u>11,037,894</u>	<u>10,127,499</u>

Endowment and Similar Funds		
Fund balances:		
Endowment	\$ 5,768,804	4,721,039
Quasi-endowment	4,122,663	4,107,731
Total Endowment & Similar Funds	\$ <u>9,891,467</u>	<u>8,828,770</u>

Plant Funds		
Accounts payable	\$ 1,861,554	315,674
Notes payable (Note 7)	2,411,208	3,390,125
Bonds payable (Note 7)	78,173,917	78,715,573
Fund balances:		
Unexpended	96,242,217	92,504,379
Renewals and replacements	15,000	15,000
Retirement of indebtedness	4,797,887	4,162,506
Net investment in plant	127,414,171	107,567,711
Total Plant Funds	\$ <u>310,915,954</u>	<u>286,670,968</u>

Agency Funds		
Accounts payable and accrued expenses	\$ 3,921	29,811
Accrued leave (Note 3)	175,936	112,362
Due to depositors	5,397,436	5,253,534
Total Agency Funds	\$ <u>5,577,293</u>	<u>5,395,707</u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
Statement of Changes in Fund Balances
For the Year Ended June 30, 1995

Exhibit B

	Current Funds			Loan Funds	Endowment and Similar Funds	Plant Funds			
	Unrestricted	Restricted	Total			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
Revenues and Other Additions									
Tuition and fees	\$ 4,870,660		4,870,660						
State appropriations	99,640,633		99,640,633			677,590			
Federal grants and contracts	2,224,418	8,709,028	10,933,446						
State grants and contracts	7,133	796,088	803,221						
Private gifts, grants & contracts	6,187,795	12,048,013	18,235,808	9,519	1,378,023				
Federal advances				452,253					
Investment income	2,073,946		2,073,946			4,405,404		171,438	
Interest on loans receivable				230,533					
Allocated reserves	1,615,000		1,615,000						
Additions to plant facilities									22,241,885
Retirement of indebtedness									2,051,531
Sales and services of educational activities	1,770,340		1,770,340						
Sales and services of auxiliary activities	7,984,335		7,984,335						
Hospital operations	174,696,444		174,696,444						
Other	3,130,004		3,130,004	63,675				2,321	
Total Rev. & Other Additions	304,200,708	21,553,129	325,753,837	755,980	1,378,023	5,082,994		173,759	24,293,416
Expenditures & Other Deductions									
Educational and general:									
Instruction	59,652,421	1,056,653	60,709,074						
Research	108,177	7,589,173	7,697,350						
Public service	913,159	3,506,006	4,419,165						
Academic support	7,268,966	494,036	7,763,002						
Student services	576,278	64,325	640,603						
Institutional support	17,447,870	427,387	17,875,257						
Operation & main. of plant	13,262,055		13,262,055						
Student aid		1,680,366	1,680,366						
Total Educational and General	99,228,926	14,817,946	114,046,872						
Auxiliary	6,503,477		6,503,477						
Hospital instruction	13,739,619		13,739,619						
Other hospital services	141,141,726		141,141,726						
Loan cancellations and write-offs				100,899					
Repairs and maintenance						2,481,509			
Expended for plant facilities						14,038,272			
Plant assets sold or retired									3,915,998
Retirement of indebtedness								2,051,531	
Interest on indebtedness								4,866,248	
Long-term debt incurred									530,958
Provision for uncollectible accts.	59,759		59,759	76,627					

Provision for accrued leave	1,124,259	104,629	1,228,888						
Other				199,999		5,000		3,620	
Total Expenditures and Other Deductions	<u>261,797,766</u>	<u>14,922,575</u>	<u>276,720,341</u>	<u>377,525</u>		<u>16,524,781</u>		<u>6,921,399</u>	<u>4,446,956</u>
Transfers - Additions (Deductions)									
Mandatory:									
Principal and interest	(7,454,373)	(298)	(7,454,671)					7,454,671	
Loan fund matching	(132,595)		(132,595)	132,595					
Other		(6,102,455)	(6,102,455)						
Total Mandatory	<u>(7,586,968)</u>	<u>(6,102,753)</u>	<u>(13,689,721)</u>	<u>132,595</u>				<u>7,454,671</u>	
Other:									
Building projects	(2,104,655)	(25,000)	(2,129,655)			2,129,655			
Other	(6,958,634)		(6,958,634)	398,095	(315,326)	13,049,970		(71,650)	
Total Other	<u>(9,063,289)</u>	<u>(25,000)</u>	<u>(9,088,289)</u>	<u>398,095</u>	<u>(315,326)</u>	<u>15,179,625</u>		<u>(71,650)</u>	
Total Transfers	<u>(16,650,257)</u>	<u>(6,127,753)</u>	<u>(22,778,010)</u>	<u>530,690</u>	<u>(315,326)</u>	<u>15,179,625</u>		<u>7,383,021</u>	
Net Increase (Decr.) for Year	<u>25,752,685</u>	<u>502,801</u>	<u>26,255,486</u>	<u>909,145</u>	<u>1,062,697</u>	<u>3,737,838</u>		<u>635,381</u>	<u>19,846,460</u>
Fund Balance at Beg. of Year As Previously Reported	<u>39,443,872</u>	<u>4,520,299</u>	<u>43,964,171</u>	<u>10,126,249</u>	<u>8,828,770</u>	<u>92,504,379</u>	<u>15,000</u>	<u>4,162,506</u>	<u>107,567,711</u>
Fund Balance at End of Year	\$ <u><u>65,196,557</u></u>	<u><u>5,023,100</u></u>	<u><u>70,219,657</u></u>	<u><u>11,035,394</u></u>	<u><u>9,891,467</u></u>	<u><u>96,242,217</u></u>	<u><u>15,000</u></u>	<u><u>4,797,887</u></u>	<u><u>127,414,171</u></u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
Statement of Current Fund Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1995
(With Comparative Figures for the Year Ended June 30, 1994)

Exhibit C

	Current Year			Prior Year	
	Unrestricted	Restricted	Total	Total	
Revenues and Other Additions					
Tuition and fees	\$ 4,870,660		4,870,660	4,735,421	
State appropriations	99,640,633		99,640,633	70,345,921	
Federal grants and contracts	2,224,418	8,709,028	10,933,446	10,100,807	
State grants and contracts	7,133	796,088	803,221	451,888	
Private gifts, grants and contracts	6,187,795	11,415,583	17,603,378	10,543,875	
Investment income	2,073,946		2,073,946	712,496	
Allocated reserves	1,615,000		1,615,000		
Sales and services of educational activities	1,770,340		1,770,340	1,616,435	
Sales and services of auxiliary activities	7,984,335		7,984,335	6,854,964	
Hospital operations	174,696,444		174,696,444	137,490,613	
Other	3,130,004		3,130,004	3,050,685	
Total Revenues and Other Additions	304,200,708	20,920,699	325,121,407	245,903,105	
Expenditures & Mandatory Transfers					
Educational and general:					
Instruction	59,652,421	1,056,653	60,709,074	53,869,422	
Research	108,177	7,589,173	7,697,350	7,047,154	
Public service	913,159	3,506,006	4,419,165	4,032,591	
Academic support	7,268,966	494,036	7,763,002	7,620,132	
Student services	576,278	64,325	640,603	588,039	
Institutional support	17,447,870	427,387	17,875,257	15,882,259	
Oper. & maintenance of plant	13,262,055		13,262,055	10,652,508	
Student aid		1,680,366	1,680,366	2,174,259	
Total Educational and General Expenditures	99,228,926	14,817,946	114,046,872	101,866,364	
Mandatory transfers:					
Principal and interest	6,932,105	298	6,932,403	3,916,496	
Loan fund matching	132,595		132,595	74,642	
Other		6,102,455	6,102,455		
Total Educational and General	106,293,626	20,920,699	127,214,325	105,857,502	
Auxiliary enterprises:					
Expenditures	6,503,477		6,503,477	5,825,714	
Mandatory transfers:					
Principal and interest	522,268		522,268	601,317	
Total Auxiliary Enterprises	7,025,745		7,025,745	6,427,031	
Hospitals:					
Hospital instruction	13,739,619		13,739,619	10,106,281	
Expenditures	141,141,726		141,141,726	117,400,587	
Total Hospitals	154,881,345		154,881,345	127,506,868	
Total Expenditures and Mandatory Transfers	268,200,716	20,920,699	289,121,415	239,791,401	

Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		632,430	632,430	(285,770)
Building projects	(2,104,655)	(25,000)	(2,129,655)	(965,335)
Other	(6,958,634)		(6,958,634)	(351,813)
Provision for uncollectible accounts	(59,759)		(59,759)	
Provision for accrued leave	(1,124,259)	(104,629)	(1,228,888)	(722,143)
Total Other Transfers - Additions (Deductions)	<u>(10,247,307)</u>	<u>502,801</u>	<u>(9,744,506)</u>	<u>(2,325,061)</u>
Net Change in Fund Balance	\$ <u>25,752,685</u>	<u>502,801</u>	<u>26,255,486</u>	<u>3,786,643</u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Summary of Significant Accounting Policies For the Year Ended June 30, 1995

The significant accounting policies followed by the University of Mississippi Medical Center are described below to enhance the usefulness of the financial statements to the reader.

(1) Basis of Accounting.

The financial statements have been prepared generally in accordance with the accounting principles outlined in the Financial and Reporting Manual for Higher Education, and the American Institute of Certified Public Accountants Industry Audit Guide on Audits of Colleges and Universities.

The accompanying financial statements have been prepared generally on the accrual basis with the following exceptions, which are common practices in colleges and universities:

- A. Depreciation on physical plant and equipment has not been provided.
- B. To the extent that Current Funds are used to finance plant assets, the amounts so provided are accounted for as (a) expenditures, in the case of normal acquisition and/or replacement of moveable equipment and library books; (b) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewals and replacements; and (c) transfers of a nonmandatory nature for all other cases.
- C. Interest on student loans is recorded only when received.
- D. Interest expense on debt is recorded when paid.

Gifts, grants and pledges are generally recorded when received or when billable.

Investments are recorded at cost if purchased or if acquired by gift at fair market value at the time of donation.

Property, buildings and equipment are stated at cost at the date of acquisition or fair market value at date of donation. Improvements made as part of repair and renovation projects are capitalized based upon institution estimates which approximate cost. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the institution, are capitalized.

Merchandise for resale inventories and consumable supply inventories are stated at cost, with cost being determined principally by the first-in, first-out method.

All revenues and related expenditures incurred in connection with summer sessions are reported within the fiscal year in which the summer sessions are predominantly conducted.

Service activities at the institution are those activities which provide general services benefiting many funds. Service activities include accounting, physical plant, computer services, human resources, general administrative services, employee health services, telecommunications and printing. These activities' expenditures are allocated to other funds based upon a user charge system. At fiscal year-end, any over or under allocation made during the year is closed to institutional support in the Current Unrestricted Fund.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Summary of Significant Accounting Policies For the Year Ended June 30, 1995

(2) Fund Accounting.

In order to insure observance of limitations and restrictions placed on the use of the resources available, the accounts of the institution are maintained in accordance with the principles of "fund accounting." This accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The Current Funds are used primarily to account for transactions which are expended in performing the primary and support objectives of the institution.

Current Funds consist of the following:

- A. The Unrestricted Fund which is used to account for:
 - 1. The appropriated budget as approved by the Mississippi State Legislature and the Board of Trustees of State Institutions of Higher Learning/University of Mississippi Medical Center.
 - 2. The unrestricted resources designated for specific purposes by the institution's administration.
 - 3. The transactions of substantially self-supporting activities that primarily provide services for students, faculty and staff.
- B. The Restricted Fund which is used to account for Current Funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Other funds consist of the following:

- A. The Loan Funds are used to account for loans to students. Resources to provide loans are derived primarily from the federal government. Provisions of the federal loan program stipulate that:
 - 1. The institution matches one-ninth of the federal contributions.
 - 2. A portion of the loan principal and interest (maximum of 30% per year) will be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.
- B. Endowment and Similar Funds which generally are subject to the restrictions of donor gift instruments include:
 - 1. True Endowment Funds are funds received from a donor with the restriction that only the income is to be utilized.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Summary of Significant Accounting Policies
For the Year Ended June 30, 1995

2. Quasi-endowment Funds are funds established by the governing board to function like an Endowment Fund but may be totally expended at any time at the discretion of the governing board.
- C. The Plant Funds which are used to account for the transactions relating to institution physical properties include:
1. The Unexpended Plant Fund which is comprised of amounts which have been appropriated or designated for the purchase of institution physical properties or the repair and maintenance of such physical properties.
 2. The Renewals and Replacements Plant Fund which represents reserves to provide for maintenance and equipment replacement, established primarily pursuant to terms of bond indentures.
 3. The Retirement of Indebtedness Plant Fund which represents resources held for the retirement of and interest on debt and includes sinking funds established under bond indentures and note and lease amortization payments accumulated, but not yet due.
 4. The Investment in Plant Fund which represents the total physical properties in service by the institution and all construction in progress as well as any associated liabilities.
- D. Agency Funds account for assets held by the institution as custodian or fiscal agent for others. Consequently, the transactions of this fund do not affect the statement of changes in fund balances.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements For the Year Ended June 30, 1995

(1) Financial Reporting Entity.

The University of Mississippi Medical Center ("Medical Center") is the Jackson campus of the University of Mississippi. The financial statements include the hospital, children's rehabilitation center and the schools of medicine, dentistry, nursing and health related professions and their related service organizations. The assets, liabilities, and fund balances related to the parent institution, the University of Mississippi, and the alumni fund are not included.

In accordance with Governmental Accounting Standards Board Statement Number 14, the University of Mississippi Medical Center Educational Building Corporation ("Corporation") has been identified as a component unit of the Medical Center.

The Corporation is a nonprofit corporation, incorporated on June 26, 1991, in the state of Mississippi with the approval of the Board of Trustees of State Institutions of Higher Learning for the state of Mississippi. The purpose of the Corporation is for the acquisition, construction and equipping of facilities and land for the Medical Center. The Board of Directors of the Corporation is composed of designated institutional officers of the Medical Center.

The assets, liabilities and fund balances of the Corporation are included in the accompanying financial statements of the Medical Center.

(2) Appropriations - General Operations.

The University of Mississippi Medical Center is a state supported institution that receives annual appropriations for operations from the state of Mississippi. The laws of the state and the policies and procedures specified by the state for state agencies and institutions are applicable to the activities of the institution.

(3) Accrued Leave.

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

The liability for accrued leave at June 30, 1995, was reported in the Current Funds as \$11,341,983 and in the Agency Fund as \$175,936.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1995

(4) Cash and Other Deposits.

For financial statement purposes cash and other deposits are represented by demand accounts and time deposits such as savings accounts, certificates of deposit, money market funds, U. S. Treasury bills and notes, discount notes, and repurchase agreements with a maturity of one year or less as of June 30, 1995. Also included in this account are imprest cash accounts held by the institution. The carrying amount of the institution's cash and other deposits at June 30, 1995, was \$112,469,043 and the depository balance, including accrued interest of \$155,019, was \$115,103,949. The carrying amount and depository balance of the University of Mississippi Medical Center Educational Building Corporation's cash and other deposits at June 30, 1995 was \$382,162, and is included in the figures above. The portion of such depository balance invested in U. S. Treasury bills and notes, discount notes, and repurchase agreements was \$86,622,749. These were insured and registered, or held by the institution or its agent. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$28,481,200.

(5) Investments.

The following table presents the carrying and market value of investments by type and categorizes the carrying amounts as follows: category 1 are those which are insured or registered, or held by the institution or its agent; category 2 are those which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the institution; and, category 3 are those which are uninsured or unregistered, with securities held by the counterparty or by its trust department or its agent but not in the name of the institution.

	Category			Carrying Amount	Market Value
	-1-	-2-	-3-		
Common funds	\$ 7,103,056			7,103,056	7,500,669
U. S. Government Securities	63,597,199			63,597,199	63,092,012
Corporate equities	126,044			126,044	168,184
Total	<u>\$ 70,826,299</u>	<u>0</u>	<u>0</u>	<u>70,826,299</u>	<u>70,760,865</u>

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1995

(6) Notes Receivable From Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to 12 months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 1995:

	Interest Rates		Unpaid Balance 6-30-95
Perkins student loans	3% to 5%	\$	5,640,256
Loans for Disadvantaged Students	5%		190,488
Health Professions Student Loans	3% to 9%		3,207,852
Nursing student loans	5%		415,648
Institution loans	2.5% to 9%		879,389
Total Notes Receivable			10,333,633
Less: Allowance for Doubtful Accounts			253,922
Net Notes Receivable		\$	10,079,711

(7) Long-term Debt.

The institution has long-term obligations of the following:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity Date	Amount Owed at 6-30-95
A. Bonded Debt.				
General Obligation Bonds:				
Alumni building of 1972	\$ 650,000	5%/semi.	1/97	\$ 80,000
Total	650,000			80,000
Revenue Bonds:				
Medical Center EBC of 1991	12,750,000	6.4% to 9%	8/11	12,390,000
Medical Center EBC of 1993-A	5,900,000	7.25%	12/13	5,703,917
Medical Center EBC of 1993-B	60,000,000	3.875% to 5.9%	12/09	60,000,000
Total	78,650,000			78,093,917
Total Bonded Debt	\$ 79,300,000			\$ 78,173,917

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1995

Description and Purpose	Original Issue	Annual Interest Rate	Maturity Date	Amount Owed at 6-30-95
B. Notes.				
IBM-computer	\$ 1,330,679	4.88%	1/97	\$ 438,584
Dixie Dental-presses	1,802	4.88%	10/95	238
Dixie Dental-Cavitron	7,851	4.88%	10/95	1,038
Dixie Dental-mobile x-ray	8,039	4.88%	10/95	1,063
Kavo EWL Corporation	51,672	4.88%	10/95	6,834
Unitek Corporation	5,537	4.88%	10/95	732
Gendex Corporation	96,189	4.88%	10/95	12,721
Pelton & Crane	7,569	4.88%	10/95	1,001
Patterson Dental	504	4.88%	10/95	67
ADEC, Inc.	734,190	4.88%	10/95	97,100
IBM-laser printers	164,549	4.88%	7/96	57,669
AT&T-Aspen voice system	97,750	4.88%	7/96	34,258
AT&T-telecomm. equipment	185,059	4.88%	3/97	111,585
Microage	109,768	4.88%	3/99	85,445
Dynix-library system	172,614	4.88%	3/99	134,365
ICS-computer-family medicine	200,000	4.88%	3/99	155,683
SMT Solutions-timekeeper	170,297	4.88%	6/96	59,683
Olympus-videoendoscopy	104,110	4.88%	6/96	36,487
Siemens	139,900	4.88%	6/96	49,030
Hewlett Packard-neonatal monitors	322,146	4.88%	6/96	112,901
Flanagan Instruments	136,364	4.88%	3/99	106,148
Picker, Intl.	285,276	4.88%	3/99	222,063
Data General	170,400	4.88%	3/96	66,315
Dongieux's-washers & dryers	19,250	4.88%	6/96	6,746
Abbott Laboratories	72,469	4.88%	3/97	43,697
ICS-computer-pavilion	158,772	4.88%	6/97	83,427
Heidelberg	187,500	4.88%	12/99	171,739
Becton	343,459	4.88%	12/99	314,589
Total Notes	\$ 5,283,715			\$ 2,411,208

Annual requirements to amortize outstanding long-term debt are as follows:

Year Ending June 30	Total	Bonds	Notes
1996	\$ 7,486,096	6,150,347	1,335,749
1997	6,751,016	6,142,204	608,812
1998	6,432,316	6,094,776	337,540
1999	6,369,056	6,084,119	284,937
2000	6,145,357	6,081,793	63,564
Later years	124,559,151	124,559,151	
Total	157,742,992	155,112,390	2,630,602
Less: Amounts			
Representing Interest	77,157,867	76,938,473	219,394
Total at Present Value	\$ 80,585,125	78,173,917	2,411,208

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1995

(8) Operating Leases.

Leased property under operating leases is composed of building rentals, office equipment and maintenance of various hospital and scientific research equipment. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30	Amount
1996	\$ 622,229
1997	433,876
1998	87,051
1999	3,803
Total Minimum Payments Required	<u>\$ 1,146,959</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 1995, was \$1,075,381.

(9) Construction Commitments and Financing.

The institution has contracted for the construction of various projects. Listed below are the estimated costs to complete the projects at June 30, 1995. The remaining costs are to be funded by federal, state and institutional funds.

Project	Cost to Complete
MRI Building	\$ 8,274,773
Transportable Building-MRI	59,600
Power Plant Revisions	1,007,732
Children's Hospital	14,159,735
Library Revisions	148,768
SHRP Building	12,976,646
Lakeland Family Medicine Clinic	11,216
Power Panels	10,256
Medical Pavilion Expansion	1,673,634
Parking Garage	651,437
Student Union Building	7,072,672
Parking Structure "B"	5,466,771
Perinatal Center	36,524,622
MRI-GE Medical Systems	5,500,000
Total	<u>\$ 93,537,862</u>

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1995

(10) Pension Plan.

Plan Description. The University of Mississippi Medical Center contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the University of Mississippi Medical Center is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The University of Mississippi Medical Center's contributions to PERS for the years ending June 30, 1995, 1994, and 1993 were \$13,720,994, \$12,191,921 and \$10,835,620, respectively, equal to the required contributions for each year.

(11) Deferred Compensation Plan.

The institution, through the Mississippi Public Employees' Retirement System (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the institution (without being restricted to the provisions of benefits under the plan), subject only to the claims of the institution's general creditors. Participants' rights under the plan are equal to those of general creditors of the institution in an amount equal to the fair market value of the deferred account for each participant.

The Mississippi Public Employees' Retirement System maintains the deferred compensation plan account in the name of the institution. The amount of assets held for participants employed by the University of Mississippi Medical Center as of June 30, 1995, was \$5,060,943.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1995

(12) Litigations.

In 1975, Jake Ayers initiated a lawsuit against the state of Mississippi, charging that the state had maintained the racially segregative effects of its prior dual system of post-secondary education in violation of the Fifth, Ninth, Thirteenth and Fourteenth Amendments to the U.S. Constitution, as well as Title VI of the Civil Rights Act of 1964. In June, 1992, the U.S. Supreme Court agreed with the Petitioners that the state had failed to dismantle its dual system of post-secondary education and remanded it to the District Court for further consideration. As of the date of this report, further hearings have been held and the court has issued its ruling. Based on this ruling, it appears there will be no adverse impact on the University of Mississippi Medical Center.

(13) Contingent Liabilities.

A liability for retroactive adjustments to third party payors, amounting to \$15,200,311, is included in the accounts of the Current Unrestricted Fund and is stated on the basis of cost reimbursement policies previously used by the payors in making final settlements.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

SUPPLEMENTAL INFORMATION

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
 Schedule of Federal Financial Assistance
 For the Year Ended June 30, 1995

Schedule 1

	CFDA NUMBER		DIRECT FEDERAL	FEDERAL FLOW- THROUGH	TOTAL REVENUES	TOTAL EXPENDITURES
Major Programs						
Research:						
Department of Agriculture:						
Grants for Agricultural Research-Competitive Research Grants	10.206	\$	41,024	596	41,620	46,382
Department of Defense:						
Department of Navy, Office of Naval Research						
Basic and Applied Scientific Research	12.300		28,468		28,468	41,029
U. S. Army						
Natick R.D.E. Center	DAAK60-93-K-001		93,131		93,131	76,300
Lab Command	DAAK03-91-G-0239		30,503		30,503	11,706
Biotechnology and Protein Biopolymers	DAAK03-92-G-0105		37,344		37,344	46,853
U. S. Army Material Command						
Basic Scientific Research	12.431		65,164		65,164	58,698
Department of Air Force, Material Command						
Air Force Defense Research Sciences Programs	12.800		65,000		65,000	21,762
National Science Foundation:						
Biological Sciences	47.074		110,000		110,000	192,045
Education and Human Resources	47.076			78,326	78,326	73,712
Department of Health and Human Services:						
Public Health Service--I						
Maternal and Child Health Federal Consolidated Programs	93.110		40,466	67,373	107,839	110,127
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			51,000	51,000	41,927
Oral Diseases and Disorders Research	93.121		45,260		45,260	46,288
Health Care Services in the Home	93.159			6,552	6,552	6,837
Research Related to Deafness and Communication Disorders	93.173		76,721		76,721	78,465
Mental Health Research Grants	93.242		276,088		276,088	282,364
Alcohol Research Programs	93.273		296,852		296,852	303,599
Drug Abuse National Research Service Awards for Research Training	93.278		16,247		16,247	16,616
Drug Abuse Research Programs	93.279		832,218	166,003	998,221	906,862
Biomedical Research Support	93.337		26,561		26,561	27,164
Nursing Research	93.361		73,529		73,529	75,200
Academic Research Enhancement Award	93.390					4,783
Cancer Treatment Research	93.395		296,580	187,939	484,519	452,341
Cancer Control	93.399			19,100	19,100	6,257

Public Health Service--II					
Cell Biology and Biophysics Research	93.821	66,159		66,159	67,662
Heart and Vascular Diseases Research	93.837	2,115,551	22,867	2,138,418	2,163,512
Blood Diseases and Resources Research	93.839		107,688	107,688	137,012
Diabetes, Endocrinology and Metabolism Research	93.847	63,154		63,154	64,590
Clinical Research Related to Neurological Disorders	93.853		44,256	44,256	30,924
Biological Basis Research in the Neurosciences	93.854	359,642		359,642	367,817
Allergy, Immunology and Transplantation Research	93.855	257,921		257,921	263,783
Microbiology and Infectious Diseases Research	93.856	523,902		523,902	535,809
Genetics and Developmental Biology Research	93.862	207,431		207,431	212,145
National Institute of General Medical Sciences	93.863	220,540		220,540	225,553
Vision Research	93.867	271,164		271,164	277,327
National Eye Institute	93.871	523		523	535
Resource and Manpower Development in the Environmental Health Sciences	93.894	4,145		4,145	4,239
National Institute of Health					
Atherosclerosis Risk in Communities Study-ARIC	N01 HC 55021	1,090,287		1,090,287	1,139,711
Prophylactic Penicillin in Sickle Cell D	N01 HC 77043	26,845		26,845	10,647
National Aeronautics and Space Administration:					
Ames Research Center					
Otolith-Canal Convergence in Vestibular	NAG 2 786	53,076		53,076	50,316
Adaptive Visual-Vestibular Mechanisms	NAGW 4377				29,887
Effects of Gravity on Attachment of Tendon	NCC 2 863	31,668		31,668	46,693
Environmental Protection Agency:					
Effects of Environmental Pollutants	ORDER 1c1434NAEX				1,973
Total Research		<u>7,743,164</u>	<u>751,700</u>	<u>8,494,864</u>	<u>8,557,452</u>
Student Financial Aid					
Department of Education:					
Federal Supplemental Educational Opportunity Grants	84.007		30,000	30,000	40,000
Federal College Work Study Program	84.033		83,139	83,139	84,533
Perkins Loan Program-Federal Capital Contributions	84.038		370,551	370,551	370,551
Federal PELL Grant Program	84.063		222,389	222,389	231,152
Grants to States for State Student Incentives	84.069		5,198	5,198	10,573
National Science Scholars Program	84.242		1,346	1,346	1,377
Department of Health and Human Services:					
Financial Assistance for Disadvantaged Medical Students	93.139	8,205		8,205	8,392
Loans for Disadvantaged Health Profession Students	93.342	60,431		60,431	68,672
Nursing Student Loans	93.364	19,455		19,455	22,108
Scholarships for Students of Exceptional Financial Need	93.820	43,373		43,373	44,359
Scholarships for Health Profession Students from Disadvantaged Backgrounds	93.925	25,515		25,515	26,095
Private Lending Institutions	N/A				4,664,024
Total Student Financial Aid		<u>156,979</u>	<u>712,623</u>	<u>869,602</u>	<u>5,571,836</u>

	CFDA NUMBER	DIRECT FEDERAL	FEDERAL FLOW- THROUGH	TOTAL REVENUES	TOTAL EXPENDITURES
Other					
Department of Health and Human Services:					
Public Health Service--I					
Family Planning Services	93.217		644,421	644,421	706,006
Total Other		0	644,421	644,421	706,006
Total Major Programs		7,900,143	2,108,744	10,008,887	14,835,294
Other Federal Assistance					
National Foundation on the Arts and on the Humanities:					
National Endowment for the Humanities					
Promotion for the Humanities--Federal-State Partnerships	45.129		500	500	
Department of Veterans Affairs:					
VA Medical Center Contract	64.108	33,269		33,269	28,692
VA Adult Day Care-Client Service	V586P-2891				
Department of Energy:					
Energy Conservation for Institutional Buildings	81.052		4,438	4,438	212,275
Department of Education:					
Education of Children with Disabilities in State Operated or Supported Schools	84.009A		11,562	11,562	9,979
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126		38,443	38,443	47,281
State Grants for Assistive Technology	84.224A				2,293
Department of Health and Human Services:					
Administration on Aging					
Central MS P & D Dist.-Program Income-Adult Day Care	93.044	8,685	75,024	83,709	104,638
Public Health Services-I					
Maternal and Child Health Federal Consolidated Programs	93.110	610	73,794	74,404	67,246
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118				1,432
National AIDS Education and Training Centers	93.145		78,144	78,144	91,398
Junior National Health Service Corps/Junior Health Careers Opportunity Programs	93.221		15,000	15,000	10
Centers for Disease Control and Prevention--Investigations and Technical Assistance	93.283		25,000	25,000	15,969
Centers for Disease Control and Prevention--Interagency Personnel Agreement	IPA-CDC	6,130		6,130	11,466
Public Health Services-II					
Health Careers Opportunity Programs	93.822	209,616		209,616	214,380
Blood Diseases and Resources Research	93.839	42,187		42,187	43,145
Division of Nursing-Bureau of Health Professions	93.858	35,263		35,263	36,065
Medical Library Assistance	93.879	110,899	1,122	112,021	114,616
Grants for Predoctoral Training in Family Medicine	93.896	96,305		96,305	98,493

Residency Training and Advanced Education in the General					
Practice of Dentistry	93.897	211,085		211,085	176,634
HIV Care Formula Grants	93.917				24,548
Special Projects of National Significance	93.928	85,682		85,682	87,629
Grants for Geriatric Education Centers	93.969	36,231		36,231	37,054
Maternal and Child Health Services Block Grant to States	93.994		208,953	208,953	213,082
HDS Discretionary Grant	0090AT0349	284		284	214
State of Louisiana Department of Social Services:					
Student Hearing Impaired Interpreter Services	N/A		14,178	14,178	16,288
Total Other Federal Assistance		<u>876,246</u>	<u>546,158</u>	<u>1,422,404</u>	<u>1,654,827</u>
To adjust grants for excess timing differences	N/A	<u>0</u>	<u>0</u>	<u>(45,592)</u>	<u>0</u>
Total Federal Financial Assistance		<u>\$ 8,776,389</u>	<u>2,654,902</u>	<u>11,385,699</u>	<u>16,490,121</u>

See accompanying Notes to Schedule of Federal Financial Assistance.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
 Schedule of Disbursements for Each Student Financial Assistance Program
 For the Year Ended June 30, 1995

Schedule 2

Program	CFDA Number	Year Ended June 30, 1995
Perkins Loan Program:	84.038	
Student loans advanced		\$ 994,099
Collection/litigation costs		1,052
Total		<u>\$ 995,151</u>
Federal Work-study Program:	84.033	
Student wages		\$ 29,996
Administrative cost allowance		53,704
Total		<u>\$ 83,700</u>
Federal Supplemental Educational Opportunity Grant Program:	84.007	
Student grants		<u>\$ 30,000</u>
PELL Grant Program:	84.063	
Student grants		<u>\$ 232,014</u>
State Student Incentive Grant Program:	84.069	
Student grants		<u>\$ 10,573</u>
Stafford Student Loan Program:	84.032	
Student loans advanced		<u>\$ 4,539,459</u>
Parent Loans for Undergraduate Students Program:	84.032	
Student loans advanced		<u>\$ 31,865</u>
Supplemental Loans for Students Program:	84.032	
Student loans advanced		<u>\$ 92,700</u>

The expenditures of these funds were authorized by award letters issued to the University of Mississippi.

The University of Mississippi draws down funds from the Office of Education and then transfers the funds to the University of Mississippi Medical Center for disbursement.

This schedule is based on award year information instead of fiscal year.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
 Summary of Financial Aid Programs Tested
 For the Year Ended June 30, 1995

Schedule 3

Financial Aid Program	Grant Number
Department of Education:	
Perkins Loan Program	PO38A42270
College Work-study Program (CWS)	PO33A42270
Supplemental Educational Opportunity Grant Program (SEOG)	PO07A42270
PELL Grant Program	PO63P43609
National Science Scholars	P242A42271
Stafford Loan Program	N/A
State Student Incentive Grant Program (SSIG)	N/A
Parent Loans for Undergraduate Students Program (PLUS)	N/A
Supplemental Loans for Students Program (SLS)	N/A
Department of Health & Human Services - Public Health Service:	
Health Professions Student Loan Program (HPSL) - Dentistry	5724301H94
Health Professions Student Loan Program (HPSL) - Nursing	5724831N94
Exceptional Financial Need Scholarship (EFN) - Medical	5724106E94
Exceptional Financial Need Scholarship (EFN) - Dentistry	5724306E94
Financial Assistance for Disadvantaged Health Profession Students (FADHP) - Medical	5724107F94
Financial Assistance for Disadvantaged Health Profession Students (FADHP) - Dentistry	5724307F94
Loans for Disadvantaged Students (LDS) - Medical	5724108L94
Loans for Disadvantaged Students (LDS) - Dentistry	5724308L94
Scholarships for Disadvantaged Students (SDS) - Medical	5724109D94
Scholarships for Disadvantaged Students (SDS) - Nursing	5724839D94
Scholarships for Disadvantaged Students (SDS) - Dentistry	5724309D94

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Schedule of Federal Financial Assistance For the Year Ended June 30, 1995

A. Basis of Presentation.

The accompanying Schedule of Federal Financial Assistance (the schedule) has been generally prepared in the format as set forth in Statement of Position 92-9. The purpose of the schedule is to present a summary of those activities represented by the University of Mississippi Medical Center for the year ended June 30, 1995, which have been financed by the U.S. Government (federal awards). For the purposes of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between the University of Mississippi Medical Center and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of the University of Mississippi Medical Center, it is not intended to and does not present either the financial position or the changes in fund balances of the University of Mississippi Medical Center.

In accordance with Office of Management and Budget (OMB) Circular A-133, federal awards are classified as follows:

Major Programs - Total federal program expenditures, exclusive of Stafford and Perkins Loans advanced, are the larger of three percent of total federal funds expended or \$100,000.

Research and Development
Student Financial Aid (SFA)
Other-Department of Health and Human Services; Public Health

Other Federal Assistance - Federal awards that do not meet the definition of major programs.

For purposes of this schedule, SFA expenditures include the total of loans advanced from the various loan programs. These loans are not reported as expenditures on the financial statements but as an increase in notes receivable.

The "Private Lending Institutions" category in the SFA section includes loans made directly to students from the Stafford Loan Program.

Individual awards within each category of federal awards are identified by CFDA number and program name if the award is individually significant to the category of award. All other awards are presented in total by funding agency.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Schedule of Federal Financial Assistance
For the Year Ended June 30, 1995

B. Revenue and Expenditure Recognition.

Revenue is recognized when received or when earned by the institution.

Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general institution activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates. Indirect costs and related revenues applicable to these cost recoveries are classified as unrestricted revenues and expenditures of the general purpose financial statements.

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STEVEN A. PATTERSON
AUDITOR

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

January 12, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the balance sheet of the University of Mississippi Medical Center as of June 30, 1995, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated January 12, 1996.

We have also audited the University of Mississippi Medical Center's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; monitoring subrecipients; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1995, and have issued our report thereon dated January 12, 1996. The management of the University of Mississippi Medical Center is responsible for the institution's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States and OMB Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the University of Mississippi Medical Center complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; monitoring subrecipients; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1995.

This report is intended for the use of the University of Mississippi Medical Center, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

A handwritten signature in black ink, appearing to read "Wm S Jones", with a long horizontal line extending to the right.

WILLIAM S. JONES, CPA
Director, Department of Audit

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

REPORT ON INTERNAL CONTROL

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STEVEN A. PATTERSON
AUDITOR

REPORT ON INTERNAL CONTROL

January 12, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the balance sheet of the University of Mississippi Medical Center as of June 30, 1995, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated January 12, 1996. We have also audited the institution's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated January 12, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the institution complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended June 30, 1995, we considered the institution's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the institution's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133.

The management of the University of Mississippi Medical Center is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

- Revenue/cash receipts
- Purchasing/cash disbursements
- Payroll
- Property control
- Journal vouchers/interdepartmental transactions

Administration of Federal Financial Assistance Programs

General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Drug-free workplace
- Financial reporting
- Allowable costs/cost principles
- Administrative requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation and we assessed control risk.

For the year ended June 30, 1995, the institution expended 87.5% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls as required by OMB Circular A-133 to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the institution's major federal financial

assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected by employees in the normal course of performing their assigned functions.

We have identified these matters in the accompanying "Schedule of Findings and Recommendations."

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the use of the University of Mississippi Medical Center, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

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WILLIAM S. JONES, CPA
Director, Department of Audit

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

MANAGEMENT REPORT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STEVEN A. PATTERSON
AUDITOR

MANAGEMENT REPORT

January 12, 1996

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the balance sheet of the University of Mississippi Medical Center as of June 30, 1995, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance for the year then ended and have issued our report thereon dated January 12, 1996. We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; the provisions of OMB Circulars A-110 and A-133; the provisions of compliance features identified in the Department of Health and Human Services (DHHS) Guidelines for Audits of Federal Awards to Educational Institutions (guidelines); and the provisions of compliance features identified in the U.S. Department of Education Audit Guide for Student Financial Assistance Programs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Laws and Regulations

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to the University of Mississippi Medical Center is the responsibility of the institution's management. As part of our audit, we performed tests of the institution's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests indicate that for the items tested, the University of Mississippi Medical Center had complied with those laws and regulations referred to above, noncompliance with which could have a material effect on the audited financial statements. For items not tested, nothing came to our attention that would lead us to believe the University of Mississippi Medical Center had not complied with the laws and regulations, noncompliance with which could have a material effect on the audited financial statements.

Compliance with Requirements of the Federal Financial Assistance Programs

A. Compliance with Specific Requirements for Major Programs.

Summary of Transactions for Major Programs.

1. Research.	Number of Items		Total
Universe	N/A	\$	8,618,969
Sample	138		130,543

2. Student Financial Aid.	<u>Number of Items</u>		<u>Total</u>
Universe	N/A	\$	6,258,187
Sample	29		169,210
3. Other Major Programs.	<u>Number of Items</u>		<u>Total</u>
Universe	N/A	\$	706,006
Sample	33		49,366

For the items tested, we found no instances of noncompliance with specific requirements of the major federal financial assistance programs.

B. Compliance with General Requirements.

We have applied procedures to test the University of Mississippi Medical Center's compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1995:

1. Davis-Bacon Act
2. Political activity
3. Drug-free workplace
4. Civil rights
5. Cash management
6. Financial reporting
7. Allowable costs/cost principles
8. Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the institution's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the preceding paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the University of Mississippi Medical Center had not complied with those requirements.

State Laws and Regulations

During the course of our audit, we noted no instances of noncompliance with state laws and regulations.

For items tested, the institution had complied with state laws and regulations. For items not tested, nothing came to our attention that would lead us to believe the institution had not complied with state laws and regulations.

Follow-up on Prior Year Findings

Government Auditing Standards require the auditor to disclose the status of known but uncorrected significant or material findings from prior audits. Any findings noted in the previous audit that were not corrected are presented in the "Schedule of Findings and Recommendations."

This report is intended for the use of the University of Mississippi Medical Center, the cognizant audit agency and other federal audit agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

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WILLIAM S. JONES, CPA
Director, Department of Audit

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Schedule of Findings and Recommendations For the Year Ended June 30, 1995

Internal Control

Reportable Condition

Finding

Several weaknesses were noted during the review of the EDP system.

1. The institution did not have a disaster recovery plan.
2. Passwords were not being changed at regular intervals.
3. Programmers had access to live data files.

Recommendation

We recommend that the institution create, implement, and test a disaster recovery plan. Arrangements should be made at an off-site location to handle the day to day operations in case of a disaster. Passwords should be changed every 30 to 60 days. Control procedures should be implemented to assure that programmers do not have access to live production data files.

Institution's Response

1. A need for a disaster recovery plan:

The University of Mississippi Medical Center has tried to balance the need for a disaster plan with available resources and the risk involved. Because of the low risk to our computer center, most of our limited resources have been invested in disaster prevention. These measures include fire sensors that are monitored by security personnel, 24 hours per day on-site personnel, uninterrupted power source (UPS), double electric feed lines and backup air conditioning.

In addition to these measures, the Medical Center is holding discussions with Amsador Corporation, which is a local company that specializes in disaster planning, about the possibility of them performing a business impact study on the effects of a disaster and generating a written disaster recovery plan for the Medical Center computer center.

2. Passwords in all systems must be changed every 30 to 60 days:

The University of Mississippi Medical Center is a very complex computer environment with many different types of data bases that have very diverse purposes and goals.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Schedule of Findings and Recommendations For the Year Ended June 30, 1995

Presently, the Systems and Planning Committee, which is composed of representatives from all areas of the Medical Center, is working on a security policy and procedure manual that will be effective campus wide. A draft of this document is attached for your review. This document has raised several issues, including the interval that passwords need to change, that will have to be resolved before this document can be officially adopted by the Medical Center. The projected completion of this project is scheduled for sometimes in early spring of 1996.

3. Steps should be taken to separate duties of programmers from having access to production data files:

Program development is performed in a test environment using the test data dictionary. After testing is complete, the programmer submits a migration request to the appropriate senior analyst, who approves and forwards to the assistant director of applications. The assistant director approves and forwards to the systems data base administrator for migration to the production data dictionary and production system. There are separation of duties and at least three checkpoints before migration is allowed.

In 1996, the University of Mississippi Medical Center will begin installing a comprehensive hospital information system from SMS Corporation that will include the RACF security software from IBM. This security system has the capability of data level security that will give more protection to production data files.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
DATA SHEET
For the Year Ended June 30, 1995

Lead Auditor: Norman McLeod, CPA

Telephone Number: (601) 364-2720

Contact Person at Institution: Charles Mullen

Address of Contact: 2500 North State Street, Jackson, Mississippi 39216

Telephone Number of Contact: (601)984-1040

The field audit work was performed between August 30, 1995 and January 12, 1996 at the institution's facilities as follows:

<u>Location</u>	<u>Description of Facility</u>	<u>Dates Visited</u>
Jackson, Mississippi	Main Campus	8-30-95 to 1-12-96

Institution's Accrediting Organization: Southern Association of Colleges and Schools

The institution utilizes a student financial aid (SFA) servicer.

Records for the accounting and administration of the SFA programs are located at: University of Mississippi Medical Center
2500 North State Street
Jackson, Mississippi 39216