



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
State Auditor

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Director, Education Audit Section

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Audited Financial Statements
For the Year Ended June 30, 1997

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
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR-S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

May 1, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of the University of Mississippi Medical Center as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the University of Mississippi Medical Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the University of Mississippi Medical Center Educational Building Corporation (U.M.C. - E.B.C.), a component unit of the University of Mississippi Medical Center, which statements reflect total assets of \$89,060,897 as of June 30, 1997, and total revenues of \$27,438,215 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for U.M.C. - E.B.C., is based solely on the report of other auditors. We also did not audit the amounts reported as of June 30, 1997, as Patient Accounts Receivable of \$642,367,021, Patient Accounts Receivable Allowance for Uncollectible Accounts of \$593,199,770, Contingent Receivable for Due from Medicare of \$3,570,973 and the Contingent Liability for Due to Medicaid of \$6,891,237. These amounts were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these financial statement amounts, is based solely on the report of other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the University of Mississippi Medical Center as of June 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 1998 on our consideration of the University of Mississippi Medical Centers internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

AUDITED FINANCIAL STATEMENTS

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
 Balance Sheet
 June 30, 1997
 (With Comparative Figures at June 30, 1996)

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 5)	\$ 82,270,749	51,724,200	Accounts payable and accrued expenses	\$ 15,493,763	12,971,640
Investments (Note 6)	4,081,595	13,415,352	Accrued leave (Note 3)	12,872,161	11,708,405
Accounts receivable:			Due to Medicaid (Note 17)	6,891,237	5,438,140
Other, less allowance of \$2,346 (1997) and \$629 (1996)	1,223,176	4,537,249	Deposits refundable	126,171	39,930
State appropriation	423,045	412,275	Deferred credits	957,430	842,504
Students, less allowance of \$11,206 (1997) and \$9,611 (1996)	380,537	214,867	Other liabilities	1,539,094	
Patients, less allowance of \$593,199,770 (1997) and \$538,655,915 (1996)	49,167,251	31,652,001	Fund balances:		
Inventories	7,692,982	5,811,156	Allocated		
Prepaid items and deferred charges	493,979	315,251	General	45,697,205	42,754,747
Due from Medicare (Note 16)	3,570,973	16,548,284	Designated	848,181	989,371
			Auxiliary	272,676	244,872
			Unallocated		
			General	52,940,327	40,238,099
			Designated	10,017,311	8,012,334
			Auxiliary	1,648,731	1,390,593
Total Current Unrestricted Funds	<u>149,304,287</u>	<u>124,630,635</u>	Total Current Unrestricted Funds	<u>149,304,287</u>	<u>124,630,635</u>
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 5)	6,287,606	4,757,620	Accounts payable and accrued expenses	388,311	227,891
Other accounts receivable	1,117,460	1,249,362	Accrued leave (Note 3)	422,499	435,701
			Fund balance:		
			Allocated	1,010,395	972,693
			Unallocated	5,583,861	4,370,697
Total Current Restricted Funds	<u>7,405,066</u>	<u>6,006,982</u>	Total Current Restricted Funds	<u>7,405,066</u>	<u>6,006,982</u>
Total Current Funds	<u>\$ 156,709,353</u>	<u>130,637,617</u>	Total Current Funds	<u>\$ 156,709,353</u>	<u>130,637,617</u>

Loan Funds			Loan Funds		
Cash and other deposits (Note 5)	\$ 1,252,045	1,000,614	Accounts payable and accrued expenses	\$ 7,500	
Other accounts receivable	17	19	Fund balances:		
Notes receivable:			Federal	11,170,019	10,756,207
Federal student loans, less allowance of \$225,304 (1997) and \$196,083 (1996) (Note 7)	10,156,892	10,000,346	Institution	921,346	928,973
Institutional student loans, less allowance of \$78,496 (1997) and \$103,438 (1996) (Note 7)	689,911	684,201			
Total Loan Funds	\$ 12,098,865	11,685,180	Total Loan Funds	\$ 12,098,865	11,685,180
Endowment and Similar Funds			Endowment and Similar Funds		
Cash and other deposits (Note 5)	\$ 2,387,498	2,296,815	Fund balances:		
Investments (Note 6)	10,989,938	9,340,119	Endowment	\$ 7,139,316	6,342,448
			Quasi-endowment	6,238,120	5,294,486
Total Endowment & Similar Funds	\$ 13,377,436	11,636,934	Total Endowment & Similar Funds	\$ 13,377,436	11,636,934
Plant Funds			Plant Funds		
Cash and other deposits (Note 5)	\$ 37,326,038	45,236,493	Accounts payable	\$ 4,053,122	2,173,356
Investments (Note 6)	31,634,285	46,867,729	Notes payable (Note 8)	4,591,712	3,841,239
Accounts receivables - other	341,798	1,103,683	Bonds payable (Note 8)	75,085,570	76,667,886
Funds on deposit - state of MS	1,453,820	1,047,452	Other liabilities	628,695	
Land	1,044,868	1,068,422	Fund balances:		
Improvements other than buildings	1,869,108	1,869,108	Unexpended	61,875,402	87,170,052
Buildings	98,334,467	92,780,347	Renewals and replacements		15,000
Furniture, machinery and equipment	115,446,394	101,134,663	Retirement of indebtedness	4,198,722	4,896,949
Books and films	11,426,852	10,055,648	Net investment in plant	205,063,960	160,741,421
Construction in progress (Note 10)	56,541,711	34,342,358			
Leasehold improvements	77,842				
Total Plant Funds	\$ 355,497,183	335,505,903	Total Plant Funds	\$ 355,497,183	335,505,903
Agency Funds			Agency Funds		
Cash and other deposits (Note 5)	\$ 743,886	790,177	Accounts payable and accrued expenses	\$ 105,158	86,484
Accounts receivables - other	225	1,431	Accrued leave (Note 3)	233,269	210,891
Deferred compensation plan assets at fair market value (Note 18)		6,209,054	Due to depositors	405,684	6,703,287
Total Agency Funds	\$ 744,111	7,000,662	Total Agency Funds	\$ 744,111	7,000,662

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, 1997

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	\$ 4,876,517		4,876,517						
State appropriations	108,247,987		108,247,987			5,958,602			
Federal grants and contracts	2,198,432	8,507,129	10,705,561						
State grants and contracts	1,542	974,163	975,705						
Private gifts, grants & contracts	7,142,115	6,797,653	13,939,768	8,059	1,553,335	25			
Federal loan advances				255,073					
Investment income	3,010,468		3,010,468			3,596,880		173,073	
Reductions in provisions for accrued leave		13,202	13,202						
Interest on loans receivable				283,089					
Allocated reserves	441,263		441,263						
Additions to plant facilities									52,225,885
Retirement of indebtedness									3,000,342
Sales and services of educational activities	828,223		828,223						
Sales and services of auxiliary activities	9,082,001		9,082,001						
Sales and services of hospital	207,042,895		207,042,895						
Other	4,039,882		4,039,882	2,462		2,740			
Total Rev. & Other Additions	<u>346,911,325</u>	<u>16,292,147</u>	<u>363,203,472</u>	<u>548,683</u>	<u>1,553,335</u>	<u>9,558,247</u>		<u>173,073</u>	<u>55,226,227</u>
Expenditures & Other Deductions									
Educational and general:									
Instruction	65,940,453	1,666,596	67,607,049						
Research	158,567	8,031,629	8,190,196						
Public service	643,541	3,055,996	3,699,537						
Academic support	7,685,298	510,478	8,195,776						
Student services	586,662	68,016	654,678						
Institutional support	15,776,511	8,874	15,785,385						
Operation & maint. of plant	17,686,244		17,686,244					8,620	
Student aid		1,950,204	1,950,204						
Total Educational and General	<u>108,477,276</u>	<u>15,291,793</u>	<u>123,769,069</u>					<u>8,620</u>	
Auxiliary	7,872,246		7,872,246						
Hospitals	188,807,176		188,807,176						
Loan cancellations and write-offs				168,350					
Repairs and maintenance						5,710,295			
Expended for plant facilities						40,610,818			
Plant assets sold or retired									8,735,189
Retirement of indebtedness								3,000,342	

Interest on indebtedness								5,424,856	
Trustee fees expense								18,081	
Long-term debt incurred									2,168,499
Provision for uncollectible accts.	3,312		3,312	4,279					
Provision for accrued leave	1,163,756		1,163,756						
Medical practice plan	4,000,808		4,000,808						
Other				194,966		60,080		180	
Total Expenditures and Other Deductions	<u>310,324,574</u>	<u>15,291,793</u>	<u>325,616,367</u>	<u>367,595</u>		<u>46,381,193</u>		<u>8,452,079</u>	<u>10,903,688</u>
Transfers - Additions (Deductions)									
Mandatory:									
Principal and interest	(7,806,826)		(7,806,826)					7,806,826	
Loan fund matching	(93,280)	15,610	(77,670)	77,670					
Total Mandatory	<u>(7,900,106)</u>	<u>15,610</u>	<u>(7,884,496)</u>	<u>77,670</u>				<u>7,806,826</u>	
Other:									
Building projects	(1,339,506)		(1,339,506)			1,339,506			
Other	(10,517,239)	234,902	(10,282,337)	147,427	187,167	10,188,790	(15,000)	(226,047)	
Total Other	<u>(11,856,745)</u>	<u>234,902</u>	<u>(11,621,843)</u>	<u>147,427</u>	<u>187,167</u>	<u>11,528,296</u>	<u>(15,000)</u>	<u>(226,047)</u>	
Total Transfers	<u>(19,756,851)</u>	<u>250,512</u>	<u>(19,506,339)</u>	<u>225,097</u>	<u>187,167</u>	<u>11,528,296</u>	<u>(15,000)</u>	<u>7,580,779</u>	
Net Increase (Decr.) for Year	<u>16,829,900</u>	<u>1,250,866</u>	<u>18,080,766</u>	<u>406,185</u>	<u>1,740,502</u>	<u>(25,294,650)</u>	<u>(15,000)</u>	<u>(698,227)</u>	<u>44,322,539</u>
Fund Balance at Beg. of Year									
As Previously Reported	93,630,016	5,343,390	98,973,406	11,685,180	11,636,934	87,170,052	15,000	4,896,949	160,741,421
Adjustments (Note 4)	964,515		964,515						
Restated	<u>94,594,531</u>	<u>5,343,390</u>	<u>99,937,921</u>	<u>11,685,180</u>	<u>11,636,934</u>	<u>87,170,052</u>	<u>15,000</u>	<u>4,896,949</u>	<u>160,741,421</u>
Fund Balance at End of Year	<u>\$ 111,424,431</u>	<u>6,594,256</u>	<u>118,018,687</u>	<u>12,091,365</u>	<u>13,377,436</u>	<u>61,875,402</u>	<u>0</u>	<u>4,198,722</u>	<u>205,063,960</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, 1997
(With Comparative Figures for the Year Ended June 30, 1996)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 4,876,517		4,876,517	4,775,741
State appropriations	108,247,987		108,247,987	104,398,932
Federal grants and contracts	2,198,432	8,507,129	10,705,561	10,428,038
State grants and contracts	1,542	974,163	975,705	438,344
Private gifts, grants and contracts	7,142,115	5,781,689	12,923,804	13,271,135
Investment income	3,010,468		3,010,468	2,752,478
Allocated reserves	441,263		441,263	1,731,803
Sales and services of educational activities	828,223		828,223	694,650
Sales and services of auxiliary activities	9,082,001		9,082,001	8,251,621
Reductions in provisions for accrued leave		13,202	13,202	
Reductions in provisions for uncollectible accounts				2,613
Other	4,039,882		4,039,882	4,132,601
Sales and services - hospital	207,042,895		207,042,895	187,163,774
Settlement of Medicare litigation				13,496,507
Total Revenues and Other Additions	<u>346,911,325</u>	<u>15,276,183</u>	<u>362,187,508</u>	<u>351,538,237</u>
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	65,940,453	1,666,596	67,607,049	65,235,479
Research	158,567	8,031,629	8,190,196	7,695,888
Public service	643,541	3,055,996	3,699,537	3,751,806
Academic support	7,685,298	510,478	8,195,776	7,441,537
Student services	586,662	68,016	654,678	674,480
Institutional support	15,776,511	8,874	15,785,385	14,389,805
Operation & maintenance of plant	17,686,244		17,686,244	16,228,450
Student aid		1,950,204	1,950,204	1,983,331
Total Educational and General Expenditures	<u>108,477,276</u>	<u>15,291,793</u>	<u>123,769,069</u>	<u>117,400,776</u>
Mandatory transfers:				
Principal and interest	6,330,109		6,330,109	6,968,197
Loan fund matching	93,280	(15,610)	77,670	132,272
Other				(288,752)
Total Educational and General	<u>114,900,665</u>	<u>15,276,183</u>	<u>130,176,848</u>	<u>124,212,493</u>
Auxiliary enterprises:				
Expenditures	7,872,246		7,872,246	7,247,407
Mandatory transfers:				
Principal and interest	1,476,717		1,476,717	1,125,703
Total Auxiliary Enterprises	<u>9,348,963</u>		<u>9,348,963</u>	<u>8,373,110</u>
Hospital operations:				
Expenditures	<u>188,807,176</u>		<u>188,807,176</u>	<u>170,487,578</u>
Total Expenditures and Mandatory Transfers	<u>313,056,804</u>	<u>15,276,183</u>	<u>328,332,987</u>	<u>303,073,181</u>

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Other Transfers - Additions/(Deductions)				
Excess restricted receipts over expenditures & mandatory transfers		1,015,964	1,015,964	368,331
Building projects	(1,339,506)		(1,339,506)	(5,245,722)
Other	(10,517,239)	234,902	(10,282,337)	(8,898,966)
Provision for uncollectible accounts	(3,312)		(3,312)	
Provision for accrued leave	(1,163,756)		(1,163,756)	(802,123)
Medical practice plan expenditures	(4,000,808)		(4,000,808)	(5,132,827)
Total Other Transfers - Additions/(Deductions)	(17,024,621)	1,250,866	(15,773,755)	(19,711,307)
Net Change in Fund Balance	\$ 16,829,900	1,250,866	18,080,766	28,753,749

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, 1997

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, 1997

(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.
 - 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's matching share is one-third 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, 1997

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, 1997

(1) Financial Reporting Entity.

The University of Mississippi Medical Center (AMedical 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 (the "Corporation") is deemed 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. 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 officers of the Medical Center. The financial statements of the Corporation were audited by other auditors and are included in the financial statements of the University of Mississippi 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 Medical Center.

(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, 1997, as reported in the Current Funds was \$13,294,660 and in the Agency Fund was \$233,269.

(4) Prior Period Adjustments.

For the year ended June 30, 1997, the institution recorded an increase of \$964,515 to the Unrestricted Current fund balance. The increase is a result of an understatement of Due from Medicare in the prior year.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1997

(5) 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 and 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, 1997. Also included in this account are imprest cash accounts held by the institution. The institution participates in the State of Mississippi Securities Pledged Collateral Pool (the Pool) which includes funds on deposit at the following banks:

- Trustmark National Bank
- Deposit Guaranty National Bank
- Bank of Mississippi
- Union Planters National Bank
- Hancock Bank

The Pool is monitored by the State Treasurer's Office. The carrying amount of cash deposits for all state entities participating in the Pool at June 30, 1997 was \$258,070,000 and the corresponding depository balances which are represented by collected funds were \$247,082,000. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution's agent in the name of the institution was \$226,241,000. In addition, \$12,871,000 was collateralized with securities held by a pledging financial institution's agent in the entities name. The remaining \$7,970,000 was collateralized with securities held by a pledging financial institution or was uninsured and uncollateralized.

The following schedule presents the carrying amounts and depository balances for the University of Mississippi Medical Center funds included in the State of Mississippi Securities Pledged Collateralization Pool. The schedule also presents information concerning funds held at depositories not included in the Pool, and the securities pledged as collateral for these funds. The depository balances include accrued interest.

	<u>Carrying Amount</u>	<u>Depository Balance</u>	<u>Total</u>	<u>Securities Pledged as Collateral</u>		
				<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Funds included in state collateral pool	\$ 40,284,871	11,680,283		(see explanation above regarding securities pledged - State of Mississippi Securities Pledged Collateralization Pool)		
Funds not included in state collateral pool	244,046	227,607	\$ <u>227,607</u>	<u>227,607</u>		
U.S. Treasury bills and notes	<u>89,738,905</u>	<u>89,738,905</u>	N/A	N/A	N/A	N/A
Totals	<u>\$ 130,267,822</u>	<u>101,646,795</u>				

- (1) Funds were fully insured or collateralized with securities held by the institution or its agent in the name of the institution.
 (2) Funds were collateralized with securities held by a pledging financial institution's trust department or agent in the institution's name.
 (3) Funds were collateralized with securities held by a pledging financial institution or were uninsured and uncollateralized.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1997

(6) 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 counter party'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 counter party or by its trust department or its agent but not in the name of the institution.

	Category			Carrying Amount	Market Value
	-1-	-2-	-3-		
U.S. Government Securities	\$	5,140,096		\$ 5,140,096	5,205,126
Corporate equities	<u>100,037</u>			<u>100,037</u>	<u>107,474</u>
Total	<u>\$ 100,037</u>	<u>5,140,096</u>	<u>0</u>	5,240,133	5,312,600
Mutual funds				9,831,400	12,938,557
UMMC - Educational Bldg. Corp.				<u>31,634,285</u>	<u>28,734,992</u>
Total				<u>\$ 46,705,818</u>	<u>46,986,149</u>

(7) 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, 1997:

	Interest Rates	Unpaid Balance 6-30-97
Perkins student loans	3% to 5%	\$ 6,677,718
Nursing student loans	5%	465,840
Loans for disadvantaged students	5%	247,737
Health professions student loans	3% to 9%	2,990,900
Institution loans	2.5% to 9%	<u>768,408</u>
Total Notes Receivable		11,150,603
Less: Allowance for Doubtful Accounts		<u>303,800</u>
Net Notes Receivable		<u>\$ 10,846,803</u>

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1997

(8) 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 6-30-97
A. Bonded Debt.				
Revenue Bonds:				
Medical Center EBC of 1991	\$ 12,750,000	6.4% to 9%	8-01-11	\$ 11,590,000
Medical Center EBC of 1993-A	5,900,000	7.25%	12-15-13	5,390,570
Medical Center EBC of 1993-B	<u>60,000,000</u>	3.875% to 5.9%	12-01-23	<u>58,105,000</u>
Total Bonded Debt	<u>\$ 78,650,000</u>			<u>\$ 75,085,570</u>
B. Notes.				
MicroAge - computer system	\$ 109,768	6.1%	3-15-99	\$ 42,304
Heidelberg - printing press	187,500	7.3%	12-15-99	102,301
AT & T - telephone system	819,000	5.34%	6-15-00	531,709
Dynix - library computer system	172,614	6.1%	3-15-99	66,525
ICS - family medicine computer system	200,000	6.1%	3-30-99	77,079
Becton - cell sorter	343,459	7.3%	12-15-99	187,393
Flanagan - ophthalmology microscope	136,364	6.1%	3-15-99	52,554
Picker - urology table	285,276	6.1%	3-15-99	109,944
Hewlett Packard - monitor system	2,331,266	5.34%	6-15-00	1,513,499
AT & T - telephone system upgrades	<u>2,168,500</u>	5.54%	10-15-01	<u>1,908,404</u>
Total Notes	<u>\$ 6,753,747</u>			<u>\$ 4,591,712</u>

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

Year Ending June 30	Total	Bonds	Notes
1998	\$ 7,668,032	6,094,777	1,573,255
1999	7,604,771	6,084,119	1,520,652
2000	7,381,074	6,081,795	1,299,279
2001	6,424,187	5,927,799	496,388
2002	6,251,029	6,085,566	165,463
Later years	<u>112,499,152</u>	<u>112,499,152</u>	
Total	147,828,245	142,773,208	5,055,037
Less: Amounts Representing Interest	<u>68,150,963</u>	<u>67,687,638</u>	<u>463,325</u>
Total at Present Value	<u>\$ 79,677,282</u>	<u>75,085,570</u>	<u>4,591,712</u>

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1997

(9) Operating Leases.

Leased property under operating leases is composed of building rentals, scientific 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
1998	\$ 1,293,344
1999	18,172
Total Minimum Payments Required	\$ 1,311,516

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, 1997, was \$2,131,396.

(10) Construction Commitments and Financing.

The institution has contracted for the construction of various Medical Center projects. Listed below are the estimated costs to complete the projects at June 30, 1997. The remaining costs are to be funded by state and institutional funds.

Project	Cost to Complete
<u>Institutional funds</u>	
Magnetic Resonance Imaging Building	\$ 717,170
Parking Structure "B" - Phase II	31,607
Parking garage	616,108
MRI - GE Medical Systems	351,072
Storage facility - risk management	324,768
Heliport	5,206
Chilled water system	55,879
<u>State of Mississippi funds</u>	
School of Health Related Professions	9,845,963
School of Nursing expansion	59,639
Chiller replacement	218,043
Pharmacy program expansion	167,482
<u>UMC Educational Building Corporation funds</u>	
Pavilion Expansion (EBC)	128,157
Student Union Building (EBC)	4,959,105
Children's Hospital Building (EBC)	57,836
Parking Structure "B" (EBC)	101,099
Perinatal Center (EBC)	24,622,719
Total	\$ 42,261,853

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1997

(11) Pension Plan.

Plan Description. The institution contributes to the Public Employees' 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 Employees' 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 institution 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 institution's contributions to PERS for the years ending June 30, 1997, 1996 and 1995 were \$15,141,813, \$14,909,494 and \$13,721,016, respectively, equal to the required contributions for each year.

(12) Workers' Compensation Plan.

The university participates in a self-funded Workers' Compensation Plan (the Plan) along with the other public four-year universities of the state. The Plan exists in order to provide a mechanism for the State Institutions of Higher Learning (IHL) to fund and budget for the costs of providing workers' compensation benefits to eligible employees. The Plan does not pay benefits directly to employees. Rather, funds are set aside in trust and a third party Plan administrator is utilized to distribute the benefits to eligible employees. The assets of the Plan at June 30, 1997 were \$2.341 million.

A professionally licensed actuarial firm was contracted to prepare a report setting forth estimated reserves for the Plan as of June 30, 1997. This report estimates that contingent liabilities exceed Plan assets by \$1.814 million as of June 30, 1997.

(13) Unemployment Trust Fund.

The university participates in a self-funded Unemployment Trust Fund (the Fund) along with the other public four-year universities of the state. The Fund exists in order to provide a mechanism for the State Institutions of Higher Learning (IHL) to fund and budget for the costs of providing unemployment compensation benefits to eligible former employees. The Fund does not pay benefits directly to former employees. Rather, it reimburses the Mississippi Employment Security Commission for benefits it pays directly to former IHL employees. The assets of the Fund at June 30, 1997 were \$944,086 and the liabilities were \$92,768.

A professional licensed actuarial firm was contracted to perform an actuarial analysis of the Fund as of June 30, 1997. They determined the recommended funding requirement as of June 30, 1997 is \$800,000 to \$1,000,000. Furthermore, they concluded that the actual fund balance of \$851,318 at June 30, 1997 is reasonable.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1997

(14) Tort Liability Trust Fund.

The university participates in a self-funded Tort Liability Trust Fund (the Trust Fund) along with the other public four-year universities of the state. In accordance with Section 11-46 of Mississippi State Law, the Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act. The IHL Board established the Trust Fund to provide for self-insurance.

Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against the State Institutions of Higher Learning. A maximum limit of liability of \$50,000 per occurrence applies for claims or causes of action arising from acts or omissions occurring on or after July 1, 1993, but before July 1, 1997. There after the limit is increased to \$250,000 for the period July 1, 1997 through June 30, 2001, and is increased to \$500,000 after June 30, 2001.

The assets of the Trust Fund at June 30, 1997 were \$3,290,532 and the liabilities were \$2,096,351. A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Trust Fund as of June 30, 1997. They concluded that the program appears to be adequately funded with a margin of conservatism.

(15) Residents/Interns/Fellows Tort Professional Liability Fund.

The University of Mississippi Medical Center has established a Residents/Interns/Fellows Professional Liability Tort Fund to pay claims which are in excess of the maximum amounts paid from the Tort Liability Trust Fund established by the Board of Trustees of the State Institutions of Higher Learning in accordance with Section 11-46 of Mississippi State Law (see Note 14 - Tort Liability Trust Fund). Losses from professional liability claims against residents, interns, and fellows above the limits established for the Tort Liability Trust Fund are the responsibility of the University of Mississippi Medical Center and would be paid out of the Residents/Interns/Fellows Professional Liability Fund.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Residents/Interns/Fellows Professional Liability Tort Fund as of June 30, 1997. They estimated that the trust be reserved at minimum levels between \$1.4 and \$2.3 million. At June 30, 1997, the value of the fund was approximately \$4.1 million.

(16) Due from Medicare.

The following table represents the University of Mississippi Medical Center's financial arrangements with the federal Medicare program.

<u>Issues</u>	<u>Receivable Amount</u>
Medicare contractual adjustments for fiscal year 1997	\$ 301,695
Nursing and Health-Related Profession Medicare settlements and Graduate Medical Education Settlements from prior years (1994 through 1995)	<u>3,269,278</u>
Total Due from Medicare	\$ <u>3,570,973</u>

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements For the Year Ended June 30, 1997

The following are the significant Medicare appeal issues at June 30, 1997:

School of Health Related Professions and School of Nursing

The Medical Center filed its Medicare cost report for the year ended June 30, 1988, claiming certain School of Health Related Professions and School of Nursing costs as allowable Medicare costs. The Medical Center calculated these costs by totaling all related direct and indirect costs attributable to each of the education activities and deducting related tuition.

During its audit of the Medical Center's fiscal year 1988 cost report, the Medicare fiscal intermediary (the Intermediary) asserted that the education costs at issue were not reimbursable by the Medicare program because those costs had already been fully funded by the community through appropriations from the state legislature. The Medical Center, as a state agency, has historically received state general fund appropriations (including one in fiscal year 1988) to defray its costs of operation. As a result of its conclusion, the Intermediary issued a Notice of Program Reimbursement for fiscal year 1988 which disallowed the net education costs and reduced the Medical Center's Medicare reimbursement in that year by approximately \$629,000.

Subsequent cost reports filed by the Medical Center have only claimed the costs disallowed by the Intermediary as protested amounts, and thus the Medical Center has not received any reimbursements for such costs in any cost reports filed subsequent to fiscal year 1988 and through fiscal year 1995.

The Medical Center filed an appeal with the Provider Reimbursement Review Board (the PRRB) contesting the Intermediary's adjustments disallowing the net education costs. The Medical Center contended that the state appropriations did not constitute community support and should not be offset against allowable Medicare costs. On July 29, 1994, the PRRB found in the Medical Center's favor and reversed the Intermediary's adjustments. On September 28, 1994, the Administrator of Health Care Financing Administration reversed the PRRB's decision.

Graduate Medical Education

The Medical Center filed its Medicare cost report for the year ended June 30, 1985, claiming certain Graduate Medical Education (GME) costs as allowable under the Medicare program. Subsequently, during the GME base year audit, the Intermediary made several adjustments that substantially reduced the Medical Center's costs. The Medical Center filed an appeal with the PRRB contesting the Intermediary's adjustments.

On September 27, 1996, a settlement agreement was reached and entered by the United States District Court for the Southern District of Mississippi for both of the above issues. The total amount of Medicare reimbursement which was ordered due to the Medical Center as a result of this settlement was \$13,496,507. As of year-end June 30, 1997, the Medical Center had received \$11,191,744 of this settlement. The remaining portion to be received has been included in the Due From Medicare line item on the accompanying financial schedules at June 30, 1997.

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Notes to Financial Statements
For the Year Ended June 30, 1997

(17) Due to Medicaid.

The Due to Medicaid liability represents the Medical Center's estimate of net amounts due to the Medicaid program for a variety of reimbursement matters, including:

- (1) as filed cost reports;
- (2) expected routine adjustments by the fiscal intermediary to as filed cost reports;
- (3) retroactive adjustments to prior payment rates; and,
- (4) revised settlements of appeal issues (see Note 16).

The Medical Center's cost reports have been audited and settled by the fiscal intermediary (subject to a variety of appeal issues) through the cost report filed for the year ended June 30, 1994. Thus, the potential estimated liability for fiscal years 1995 through 1997 is equal to \$6,891,237.

(18) Deferred Compensation Plan.

Due to changes in federal law which the state of Mississippi elected to implement as of January 1, 1997, assets held in the deferred compensation plan available through the Mississippi Public Employees' Retirement System (PERS) are no longer subject to claims by creditors of the employing entity. Therefore, the institution is no longer required to report the assets and liabilities related to this plan in the Agency Fund.

(19) Investigations.

There is a matter under investigation regarding the operations of a private entity with whom the University of Mississippi Medical Center has contracted part of the operation of the emergency room of the hospital. The investigation has not been completed as of the date of this report; therefore, the effect upon the financial statements, if any, cannot be determined.

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

SUPPLEMENTAL INFORMATION

University of Mississippi Medical Center
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 1997

	Catalog of Federal Domestic <u>Assistance Number</u>	<u>Pass-through Entity</u>	Federal Expenditures
Major Programs			
Research Pool			
Direct Funding:			
Department of Health & Human Services:			
Public Health Service:			
Oral Diseases and Disorders Research	93.121		\$ 124,743
Research Related to Deafness and Communication Disorders	93.173		57,254
Mental Health Research Grants	93.242		215,983
Alcohol Research Programs	93.273		160,853
Drug Abuse National Research Service Awards for Research Training	93.278		7,886
Drug Abuse Research Programs	93.279		894,835
Biomedical Research Support	93.337		55,638
Nursing Research	93.361		82,931
Cancer Treatment Research	93.395		313,776
Heart and Vascular Diseases Research	93.837		2,276,494
Lung Diseases Research	93.838		106,473
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		73,779
Diabetes, Endocrinology and Metabolism Research	93.847		112,985
Digestive Diseases and Nutritional Research	93.848		133,561
Biological Basis Research in the Neuroscience	93.854		412,680
Allergy, Immunology and Transplantation Research	93.855		309,210
Microbiology and Infectious Diseases Research	93.856		381,430
Pharmacology, Physiology, and Biological Chemistry Research	93.859		44,340
Genetics and Developmental Biology Research	93.862		18,802
National Institute of General Medical Sciences	93.863		192,826
Vision Research	93.867		298,157
Atherosclerosis Risk in Communities Study - ARIC - N01HC55021	93.xxx		852,512
National Heart Lung Blood Jackson Heart Study - Planning Phase	93.xxx		24,432
Department of Defense:			
AASERT 97 - Neural Coding of Gravitation - F496209710370	12.xxx		2,343
Office of Naval Research	12.300		58,130
Basic Scientific Research	12.431		164,918
Air Force Defense Research Science Programs	12.800		100,309
Environmental Protection Agency:			
Effects of Environmental Pollutants - 1C1434NAEX	66.xxx		20
United States Department of Agriculture:			
Grants for Agricultural Research - Competitive Research Grants	10.206		54,126
National Science Foundation:			
Biological Sciences	47.074		163,911

National Aeronautics and Space Administration:			
Ames Research Center - Otolith Canal Convergence - NAG2-786	43.xxx		87
Ames Research Center - Adaptive Visual Vestibular - NAGW-4377	43.xxx		130,044
Ames Research Center - Otolith Canal Convergence - NAGW-4507	43.xxx		62,933
Ames Research Center - Effects of Gravity - NCC2-863	43.xxx		6,807

Passed-through Funding

Department of Health and Human Services:

Public Health Service:

Oral Diseases and Disorders Research	93.121	Univ. of North Carolina	35,412
Mental Health Research Grants	93.242	Duke University	21,057
Cancer Treatment Research	93.395	Gyn./Onc. Health Group	148,485
Cancer Treatment Research	93.395	Univ. of Pittsburgh	1,804
Cancer Treatment Research	93.395	S.W. Oncology Health Group	12,275
Cancer Control	93.399	Cancer Therapy Health Group	10,320
Heart and Vascular Diseases Research	93.837	Univ. of Texas	15,425
Heart and Vascular Diseases Research	93.837	Jackson State University	268
Blood Diseases and Resources Research	93.839	Children's Hospital - Oakland	1,083
Clinical Research Related to Neurological Disorders	93.853	Mayo Foundation	791
Clinical Research Related to Neurological Disorders	93.853	University of Iowa	19,536
Clinical Research Related to Neurological Disorders	93.853	McMaster University	1,054
Clinical Research Related to Neurological Disorders	93.853	Bowman Gray - Wake Forest	59,437
Biological Basis Research in Neuroscience	93.854	Georgetown University	16,470
Multicenter Study of Hydroxyurea - N01HB67129	93.xxx	Maryland Med. Res. Inst.	537
Pediatric and Perinatal Clinical Trials - N01HD33162	93.xxx	Westat, Inc.	16,938

National Science Foundation:

Is Mealonin a Coordinator - 94475612	47.xxx	Miss. State University	6,220
Education and Human Resources	47.076	Miss. State University	170,953

United States Department of Agriculture:

Grants for Agricultural Research - Competitive Research Grants	10.206	Miss. State Univ. Vet. Med.	26,828
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Total Research

8,460,101

Student Financial Aid

Direct:

Department of Education:

Federal Supplemental Opportunity Grants (FSEOG)	84.007		46,830
Federal Work-study Program (FWS)	84.033		70,173
Federal Perkins Loan Program (FPL)	(1) 84.038		1,051,190
PELL Grants	84.063		207,424
State Student Incentive Grants	84.069		4,448
Federal Family Education Loan Program (FFEL)	(2) 84.032		4,219,583

	Catalog of Federal Domestic Assistance Number	Pass-through Entity	Federal Expenditures
Department of Health and Human Services:			
Public Health Service:			
Financial Assistance for Disadvantaged Medical Students	93.139		20,585
Nursing Student Loans	93.364		33,093
Scholarships for Students of Exceptional Financial Need	93.820		14,740
Scholarships for Health Profession Faculty Loan Repay Program	93.925		16,024
			<u>5,684,090</u>
Total Student Financial Aid			
Other Major Programs			
Direct:			
Department of Health and Human Services:			
Public Health Service:			
Special Projects of National Significance	93.928		379,214
			<u>14,523,405</u>
Total Major Programs			
Other Federal Assistance			
Direct:			
Department of Health & Human Services:			
Public Health Service:			
Professional Nurse Traineeship	93.358		40,110
Health Career Opportunity Programs	93.822		211,826
Grants for Predoctoral Training in Family Medicine	93.896		55,643
Residency Training & Advanced Education in Dentistry	93.897		207,266
Adult Day Care Center - Administration of Aging	93.044		19,869
Maternal and Child Health Federal Consolidated Programs	93.110		86,988
Medical Library Assistance	93.879		171,867
Ryan White HIV/AIDS Program	93.924		20,945
Program Income - R01DA04264	93.xxx		520
Department of Transportation:			
Child Occupant Protection Project - 70P4111	20.xxx		23,673
Department of Veteran Affairs:			
Interagency Personnel Agreements - VA-IPA	64.xxx		61,465
VA Medical Center Contract - Emergency Medicine	64.108		27,277
VA Scarce Medical Special Services - Dermatology - V586P2913	64.xxx		4,800
VA Adult Day Care Center - Client Service - V586P2891	64.xxx		(1)
VA Beta Blocker Evaluation Study - Y01HC0018	64.xxx		1,835
National Science Foundation:			
Education and Human Resources - Program Income	47.076		(2,969)

Passed-through Funding

Department of Health and Human Services:

Public Health Service:

Genetic Education in Southeastern States	93.172	University of Southern MS.	951
Junior National Health Service Corps/Junior Health Careers Opp.	93.221	Jackson/Hinds, MS Health Grp.	11,000
National AIDS Education and Training Centers	93.145	Louisiana State University	59,138
Substance Abuse Treatment Conference Grants	93.218	Hemophilia Grp. of Georgia	69,431
Cancer Cause and Prevention Research	93.393	University of Minnesota	3,353
Special Programs for the Aging - Title III, Part B	93.044	Central MS Plan. District	125,851
Special Programs for the Aging - Title III, Part B	93.044	CACFP	10,902
CDC - Investigations and Technical Assistance	93.283	MS Dept. of Health	1,495
HIV Care Formula Grants	93.917	MS Dept. of Health	43,290
Preventive Health Services - Sexually Transmitted Diseases	93.977	MS Dept. of Health	13,219
Maternal and Child Health Services Block Grant to States	93.994	MS Dept. of Health	207,236
Family Planning Services	93.217	MS Dept. of Health	878
Student Hearing Impaired Interpreter Services	93.xxx	LA Dept. of Health	(987)
Department of Education:			
Education of Children with Disabilities in State Operated Schools	84.009A	MS Dept. of Education	10,739
Rehabilitation Services - Vocational Grants to States	84.126	MS Voc. Rehab. for Blind	33,655
State Grants for Assistive Technology	84.224A	MS Voc. Rehab. Services	54

Total Other Financial Assistance

1,521,319

Total Federal Financial Assistance

\$ 16,044,724

Notes to Schedule

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements, with the following exceptions:

- (1) For purposes of this schedule, loans advanced from the Federal Perkins Loan Program (CFDA #84.038) are presented as federal expenditures. These loans are not reported as expenditures on the financial statements but as an increase in notes receivable.
- (2) For purposes of this schedule, loans made to students under the Federal Family Educational Loan Program (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions.

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR-S REPORT
ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 1, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of the University of Mississippi Medical Center as of and for the year ended June 30, 1997, and have issued our report thereon dated May 1, 1998. We did not audit the financial statements of the University of Mississippi Medical Center Educational Building Corporation (U.M.C. - E.B.C.), a component unit of the University of Mississippi Medical Center, which statements reflect total assets of \$89,060,897 as of June 30, 1997, and total revenues of \$27,438,215 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for U.M.C. - E.B.C., is based solely on the report of other auditors. We also did not audit the amounts reported as of June 30, 1997, as Patient Accounts Receivable of \$642,367,021, Patient Accounts Receivable Allowance for Uncollectible Accounts of \$593,199,770, Contingent Receivable for Due from Medicare of \$3,570,973 and the Contingent Liability for Due to Medicaid of \$6,891,237. These amounts were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these financial statement amounts, is based solely on the report of other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the institution's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the institution's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the institution's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item #97-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the finding referred to above is not a material weakness.

This report is intended for the use of the University of Mississippi Medical Center, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR-S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

May 1, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

Compliance

We have audited the compliance of the University of Mississippi Medical Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1997. The institution's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the institution's management. Our responsibility is to express an opinion on the institution's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the institution's compliance with those requirements.

In our opinion, the University of Mississippi Medical Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

Internal Control Over Compliance

The management of the University of Mississippi Medical Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the institution's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the University of Mississippi Medical Center management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

INDEPENDENT AUDITOR-S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR-S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

May 1, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of the University of Mississippi Medical Center as of and for the year ended June 30, 1997, and have issued our report thereon dated May 1, 1998. We did not audit the financial statements of the University of Mississippi Medical Center Educational Building Corporation (U.M.C. - E.B.C.), a component unit of the University of Mississippi Medical Center, which statements reflect total assets of \$89,060,897 as of June 30, 1997, and total revenues of \$27,438,215 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for U.M.C. - E.B.C., is based solely on the report of other auditors. We also did not audit the amounts reported as of June 30, 1997, as Patient Accounts Receivable of \$642,367,021, Patient Accounts Receivable Allowance for Uncollectible Accounts of \$593,199,770, Contingent Receivable for Due from Medicare of \$3,570,973 and the Contingent Liability for Due to Medicaid of \$6,891,237. These amounts were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these financial statement amounts, is based solely on the report of other auditors. We conducted our audit in accordance with generally accepted auditing standards.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended for the use of the University of Mississippi Medical Center. However, this report is a matter of public record and its distribution is not limited.

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PHIL BRYANT
State Auditor

Handwritten signature of Ramona Hill in cursive.

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997

Section 1: Summary of Auditor's Results

1. An unqualified opinion was issued on the general purpose financial statements.
2. As described in Section 2 of this schedule, a reportable condition in internal control was disclosed by the audit of the general purpose financial statements. The reportable condition described in Finding 97-1 is not considered to be a material weakness.
3. The audit did not disclose any noncompliance which is material to the general purpose financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings which are required to be reported under Section _____.510(a) of OMB Circular A-133.
7. The major programs were:
 - a.) Research Pool Cluster - Included in this cluster are the following CFDA programs:

93.121	93.173	93.242	93.273	93.278	93.279
93.337	93.361	93.395	93.837	93.838	93.846
93.847	93.848	93.854	93.855	93.856	93.859
93.862	93.863	93.867	12.300	12.431	12.800
10.206	47.074	93.399	93.839	93.853	47.076
 - b.) Student Financial Aid Cluster - Included in this cluster are the following CFDA programs:

84.007	84.033	84.038	84.063	84.032
84.069	93.139	93.364	93.820	93.925
 - c.) Public Health Service - Special Projects of National Significance - CFDA #93.928
8. The dollar threshold used to distinguish between Type A and Type B programs was \$323,219.
9. The auditee did not qualify as a low-risk auditee.
10. There are no prior audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133.

Section 2: Findings Relating to the Financial Statements

97-1. Finding

During our examination of the Accrued Leave System, we noted that in 28% (17 out of 60) cases examined, required Leave Request forms were not located by the applicable departments. These forms are required to be filed by all employees for each instance where they are away from their official duties. The forms should then be maintained at the department level for four years minimum (institution policy).

Recommendation

The institution needs to reinforce the need to properly submit and file the Leave Request forms.

Section 3: Findings and Questioned Costs for Federal Awards

There were no findings related to federal awards.