Halifax Hospital Medical Center d/b/a Halifax Health

Financial Report
September 30, 2018

Contents

RSM US LLP

Independent Auditor's Report

To the Honorable Commissioners of the Board
Halifax Hospital Medical Center
d/b/a Halifax Health

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Halifax Hospital Medical Center d/b/a Halifax Health ("Halifax Health"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Halifax Health's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2018, as presented on pages 16–17, which represent 100% of the total assets and additions of the aggregate remaining fund information. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Halifax Health's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halifax Health's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of Halifax Health as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As explained in Note 10 to the financial statements, Halifax Health adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which is applied retroactively by restating beginning net position for the other postemployment benefits liability. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3–10 and the required supplementary information on pages 49–54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Halifax Health's basic financial statements. The accompanying Obligated Group financial information on pages 55–58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Obligated Group financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit the Obligated Group financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Orlando, Florida
January 22, 2019

INTRODUCTION

This section of the Halifax Hospital Medical Center (the "Medical Center") d/b/a Halifax Health's annual financial report provides an overview of the organization and management's discussion and analysis of financial performance and results for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the accompanying basic financial statements.

The current enabling act of the Medical Center was passed by a special act of the Florida Legislature as Chapter 2003-374, Laws of Florida (the "Act"), which codified all prior laws that established the Medical Center as a special taxing district (the "District"), a public body corporate and politic of the State of Florida. The Medical Center was originally created in 1925 under the name Halifax Hospital District by Chapter 112.72, Laws of Florida, 1925. The Medical Center's Board of Commissioners (the "Board") is empowered to levy ad valorem taxes for operating expenses, capital outlays, and other purposes. Pursuant to the Act, the Medical Center has all the powers of a body corporate, including, but not limited to, the power to establish, construct, operate, and maintain such hospitals, medical facilities, and healthcare facilities and services for the preservation of the public health, for the public good, and for the use of the public; the power to enter into contracts; borrow money; establish for-profit and not-for-profit corporations; the power to acquire, purchase, hold, lease, and convey real and personal property; and the power of eminent domain. The Medical Center's geographic territory is primarily northeastern Volusia County, Florida, including the cities of Bunnell, Daytona Beach, Debary, Deland, DeLeon Springs, Deltona, Edgewater, Flagler Beach, Holly Hill, Lake Helen, New Smyrna Beach, Oak Hill, Orange City, Ormond Beach, Osteen, Palm Coast, Pierson, Port Orange, and Seville.

The Medical Center owns and operates three inpatient hospital facilities under one license. The main campus of the Medical Center, located in Daytona Beach, is the inpatient referral center, which includes a Level II neonatal intensive care center and a Level II state-certified trauma center, offering open-heart surgery, neurosurgery, inpatient rehabilitation and other specialty inpatient and outpatient services. The Port Orange campus, located ten miles south of the main campus, is a community hospital providing a broad range of services to the residents of Port Orange and southeast Volusia County. The Halifax Behavioral Services (HBS) campus, two miles north of the main campus, provides inpatient and outpatient child, adolescent, and adult psychiatric services. The Medical Center is licensed by the Agency for Health Care Administration (AHCA) to operate with 673 beds. The licensed beds by location are set forth in the table below:

Licensed Beds by Location

Main campus:	
Inpatient hospital	523
Inpatient rehabilitation	40
Port Orange campus	80
HBS campus	30
Total	673

In addition to its inpatient facilities, the Medical Center owns and operates a freestanding emergency room located in Deltona and outpatient centers in Daytona Beach, Port Orange, Ormond Beach, Palm Coast and Deland.

The Medical Center has established not-for-profit corporations (the "component units" or the "affiliates") to assist in carrying out its purpose to provide health care and related services to the community. The component units are legally separate organizations for which the Medical Center is financially accountable and the nature and significance of their relationship to the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The component units of the Medical Center are:

- East Volusia Health Services, Inc. ("EVHS")
- HH Holdings, Inc. ("Holdings")
- Halifax Healthcare Systems, Inc. ("HHCSI")
- Halifax Healthy Families Corporation d/b/a Healthy Communities ("Healthy Communities")
- Halifax Staffing, Inc. ("Staffing")
- Patient Business & Financial Services, Inc. ("PBFS")
- Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice")
- Halifax Management System, Inc. ("HMS")
- Halifax Medical Center Foundation, Inc. ("Foundation")
- Volusia Health Ventures, Inc. d/b/a Volusia Health Network ("VHN")

These corporations are considered blended component units of the Medical Center and their financial results are blended with the Medical Center in the accompanying financial statements. See Note 1 of the audited financial statements for a description of each component unit and combining schedules. The Medical Center, together with all of its component units, is referred to as "Halifax Health."

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report includes the independent auditor's report, management's discussion and analysis, and the basic financial statements of Halifax Health. The basic financial statements are intended to describe the net position, results of operations, sources and uses of cash, and the capital structure of Halifax Health. Fiduciary fund statements for the pension trust fund are also provided as part of the basic financial statements. The basic financial statements include notes providing detailed information for select accounts and transactions.

In addition to the aforementioned content, the annual financial report includes required supplementary information composed of unaudited schedules of changes in net pension liability, funding progress, and actuarially determined contributions for the Halifax Pension Plan, and schedules of funding progress for the Halifax Insurance Subsidy and for the Halifax Implicit Rate Subsidy postemployment benefit plans.

Schedules of net position and revenues, expenses, and changes in net position for the Obligated Group are included as additional (supplementary) information. The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group financial information, including EVHS, Staffing, HHCSI and PBFS.

NET POSITION AND CHANGES IN NET POSITION

Net position is an indicator of the financial health of an organization. Increases in net position over time indicate that the financial condition is improving while decreases in net position over time signify a declining financial condition. A comparative summary of the financial condition of Halifax Health is presented below:

Condensed Statements of Net Position
(In Thousands)

	2018	2017
Current assets	**$ 487,236**	$ 425,287
Assets whose use is limited, noncurrent	**51,108**	51,034
Capital assets, net	**379,971**	356,986
Other noncurrent assets and deferred outflows	**70,902**	88,965
Total assets and deferred outflows	**$ 989,217**	$ 922,272
Current liabilities	**$ 102,732**	$ 95,114
Long-term debt and premium on long-term debt, net	**438,237**	359,427
Noncurrent liabilities and deferred inflows	**135,837**	155,006
Total liabilities and deferred inflows	**676,806**	609,547
Net investment in capital assets	**71,661**	42,223
Restricted net position	**5,671**	5,856
Unrestricted net position	**235,079**	264,646
Total net position	**312,411**	312,725
Total liabilities, deferred inflows and net position	**$ 989,217**	$ 922,272

The statement of revenues, expenses, and changes in net position measures the annual operating success of the organization and can be used to determine whether costs have been recovered through operating revenue sources. Following is a comparative summary of the operations of Halifax Health.

Condensed Statements of Revenues and Expenses
(In Thousands)

	2018	2017
Operating revenue	**$ 549,616**	$ 543,899
Operating expenses	**(524,299)**	(525,403)
Income from operations	**25,317**	18,496
Nonoperating expenses	**(8,118)**	(7,097)
Increase in net position	**$ 17,199**	$ 11,399

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

Total assets and deferred outflows of Halifax Health increased $66.9 million from September 30, 2017. Current assets of Halifax Health increased $61.9 million from fiscal year 2017 primarily as a result of an increase in investments of $68.0 million. Capital assets, net of accumulated depreciation increased $23.0 million from 2017 primarily as a result of capital acquisitions of approximately $49.2 million, offset by depreciation and amortization expense of $26.2 million and disposals of certain equipment. Other noncurrent assets and deferred outflows decreased $18.1 million from 2017 primarily due to the decrease in the fair value of the interest rate swap of $6.2 million, decreases in deferred outflows related to the pension plan of $9.5 million and the amortization of goodwill of $1.3 million.

Total liabilities and deferred inflows of Halifax Health increased $67.3 million from September 30, 2017. The fair value of the interest rate swap liability decreased by $6.2 million. Current liabilities increased from fiscal year 2017 primarily as a result of an increase in current payables of $7.6 million due to timing of payments.

Long-term debt, excluding current portion due, increased approximately $79.5 million from September 30, 2017 primarily as a result of the 2018 bond issuance made in the year. As of September 30, 2018, the Medical Center's outstanding bonds (Series 2008, Series 2015, Series 2016, and Series 2018) were rated A- by Standard & Poor's, and A- by Fitch Ratings with a stable outlook.

The decrease in noncurrent liabilities and deferred inflows of Halifax Health of $19.2 million from fiscal year 2017 is primarily due to the decrease in the net pension liability of $19.7 million.

The net position of Halifax Health at September 30, 2018, was $312.4 million, a decrease of $.3 million from September 30, 2017. The decrease is the result of the adoption of GASB Statement No. 75 that required the Medical Center to record a $17.5 million liability for other postemployment benefits at October 1, 2017 and the revenue generated from patient care and other operations of $549.6 million offset by operating expenses of $524.3 million and nonoperating expenses of $8.1 million.

Operating Revenues

The increase in operating revenues of $5.7 million over 2017 at Halifax Health is primarily the result of an increase in admissions, and new services offered. Halifax Health continues to expand the quality and continuum of services that it provides to the community.

Utilization statistics for the years ended September 30, 2018 and 2017 are as follows:

Halifax Health Utilization Statistics

	2018	2017
Medical Center Activity:		
Admissions	**23,361**	23,213
Patient days	**130,212**	137,838
Average daily census	**357**	378
Total outpatient visits	**311,101**	291,682
Observation patient day equivalents	**10,084**	9,504
Hospice Activity:		
Hospice patient days	**208,167**	201,231

Halifax Health's inpatient admissions for 2018 increased by 148 admissions compared to 2017, and patient days for 2018 decreased by 7,626 (5.5%) compared to 2017. The decrease patient days led to a decrease in the average daily census by 21 patients per day from the prior year. Outpatient visits for 2018 increased by 19,419 compared to 2017 due to increased oncology volume and increased emergency room activity at the Deltona location.

Operating Expenses

Total operating expenses of Halifax Health decreased by $1.1 million in fiscal year 2018 compared to fiscal year 2017 primarily due to an increase in supplies expense of $1.0 million, increase in purchased services of $6.7 million offset by decreases in salaries and benefits expense of $11.6 million. Depreciation and amortization expense increased $2.1 million from 2017 to 2018, due to an increase in capital purchases.

Halifax Health also incurs expenses related to ad valorem taxes levied. These expenses include payments to Volusia County and the cities of Daytona Beach, Ormond Beach, Holly Hill, and Port Orange (tax collector and appraiser commissions, Medicaid matching funds, and redevelopment taxes) and the costs of non-hospital community health services (physician services, community clinics, prescription drugs, medical supplies, etc.). Ad valorem tax-related expenses were substantially the same from 2017 to 2018.

Nonoperating Revenues, Expenses, Gains and Losses

Investment income decreased $900,000 in fiscal year 2018 compared to fiscal year 2017 as a result of increases in interest rates reducing returns on fixed income investments offset by improved performance of the equity markets. Investment income for the year ended September 30, 2018 includes unrealized gains of $82,600.

KEY FINANCIAL INDICATORS

The following represents a summary of key financial indicators of Halifax Health:

Key Financial Indicators

	2018	2017
Total margin	**3.1%**	2.1%
Days cash on hand	**302.0**	265.6
Unrestricted cash to long-term debt	**96.5%**	103.0%
Long-term debt to capitalization	**58.8%**	53.9%
Total net patient service revenue, before provision for bad debts (in millions)	**$ 603.0**	$ 588.0

The total margin increased to 3.1% in fiscal year 2018 due to the increase in operating revenues of Halifax Health, offset by increases in operating and nonoperating expenses compared to fiscal year 2017. The number of days cash on hand, which includes unrestricted cash, investments and board designated assets whose use is limited, increased from 265.6 days at September 30, 2017, to 302.0 days at September 30, 2018, due primarily to the investment of proceeds from the Series 2018 Bonds. Long-term debt to capitalization increased as a result of the issuance of the Series 2018 Bonds.

Total net patient service revenue, before provision for bad debts, increased $15.0 million from 2017 as a result of increased oncology visits, increased cardiology procedures, increased Deltona emergency visits and new services offered by the Medical Center.

COMMUNITY BENEFIT

Halifax Health provides a continuum of health care services to the community and is involved in numerous outreach programs that help meet the public health needs of the community. Halifax Health provided an estimated $65.0 million in community benefits during fiscal year 2018, which is comprised of amounts paid for community health and wellness services and the cost of uncompensated care.

The table below shows the sources and uses of the ad valorem tax revenues of Halifax Health, which includes community benefits (in thousands):

SCHEDULE OF USES OF PROPERTY TAXES

	2018	2017
Gross property tax levy	**$ 6,048**	$ 11,252
Tax discounts and uncollectible taxes	**(119)**	(300)
Net property taxes collected	**5,929**	10,952
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	**(212)**	(374)
Volusia County Medicaid matching assessment	**(2,996)**	(2,920)
Redevelopment taxes paid to Cities	**(375)**	(585)
Subtotal	**(3,583)**	(3,879)
Net taxes available for community health, wellness and readiness	**2,346**	7,073
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	**(820)**	(1,345)
Physician services	**(8,812)**	(8,801)
Trauma services	**(6,045)**	(6,061)
Pediatric and neonatal intensive care services	**(467)**	(325)
Child and adolescent behavioral services	**(614)**	(602)
Subtotal	**(16,758)**	(17,134)
Deficiency of net taxes available to fund hospital operating expenses	**(14,412)**	(10,061)
Uncompensated care provided by Halifax Health, *at cost*		
Halifax Health patients at facilities within the Halifax Health tax district	**(31,945)**	(29,445)
Non Halifax Health taxing district patients and other write-offs	**(16,282)**	(15,007)
Subtotal	**(48,227)**	(44,452)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, *at cost*	**$ (62,639)**	$ (54,513)

RISK FACTORS

The health care industry is highly dependent on several factors that could have a significant effect on the future operations and financial condition of Halifax Health. These factors include, but are not limited to, competition, state and federal regulatory authorities, Medicare and Medicaid laws and regulations, healthcare reform initiatives, environmental laws, advances in technology, changes in demand for health care services, demographic changes, and managed care contract terms and conditions.

As of the date of this report, the following known facts, decisions, or conditions may have a significant effect on net position or the results of operations:

- Salaries in the health care industry continue to be very competitive due to increased costs of attracting and retaining quality physicians, registered nurses, and other health care professionals.

- The laws and regulations governing the Medicare and Medicaid program are complex and subject to change. As such, changes to these programs could have a negative effect on the financial performance of the Halifax Health. Audits of hospital compliance with Medicare and Medicaid program laws and regulations present exposure for repayments and fines and penalties.

- In March 2010, President Barack Obama signed the Affordable Care Act ("ACA"). The ACA was enacted to increase the quality and affordability of healthcare and lower the uninsured rate. Unsuccessful congressional efforts have been made to repeal the ACA and the following concerns continue to exist:

  - The State of Florida has not approved Medicaid expansion, which has constrained state funding.

  - Changes to the 340B drug regulations will reduce cost savings achieved by the program for Halifax Health.

  - Bundled payment and value-based payment initiatives of the Medicare program may reduce net payments received by Halifax Health.

  - Federal legislative efforts, both directly and via tax reform, could significantly reduce access to individual insurance coverage currently provided under the ACA. In December 2017, Congress repealed the shared responsibility payment provisions of the ACA starting in 2019.

  - At the state level, the Medicaid managed care program has continued to expand and a prospective payment system for outpatient services has been implemented. These changes will limit the ability of local governments and related providers to positively affect Medicaid payment rates.

  - The State of Florida Low Income Pool Program has been extended to June 30, 2022. Payments from the LIP program have been limited to the cost of charity care services provided, meaning that LIP funds are not available to offset Medicaid costs in excess of Medicaid payments.

The uncertainties listed above may adversely impact future operating results and financial position. The estimated effects of these matters have been considered in the development of the fiscal year 2018 Halifax Health operating budget.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position
September 30, 2018
(In Thousands)

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	48,771
Investments		336,503
Current assets whose use is limited—Trustee-held self-insurance funds		500
Accounts receivable, patients, net of estimated uncollectibles of $195,327		72,195
Inventories		11,798
Other current assets		17,469
Total current assets		487,236
Noncurrent Assets Whose Use is Limited:		
Board-designated, funded depreciation		42,770
Trustee held funds		17
Restricted by donor		5,671
Board-designated, other		2,650
Depreciable Capital Assets, Net		287,321
Nondepreciable Capital Assets		92,650
Other Assets		8,698
Total assets		927,013
Deferred Outflows:		
Interest rate swap		21,010
Pension, contribution after measurement		19,876
Pension, other		2,446
Deferred outflows related to other postemployment benefits		2,058
Loss on refunding of debt, net		15,540
Goodwill, net		1,274
Total deferred outflows		62,204
Total assets and deferred outflows	$	989,217

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position (Continued)
September 30, 2018
(In Thousands)

Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$	64,296
Accrued payroll and personal leave time		21,196
Current portion of accrued self-insurance liability		5,013
Current portion of long-term debt		5,520
Other current liabilities		6,707
Total current liabilities		102,732
Noncurrent Liabilities:		
Long-term debt, less current portion		419,645
Premium on long-term debt, net		18,592
Net pension liability		69,032
Other postemployment benefits liability		20,623
Accrued self-insurance liability, less current portion		7,958
Other liabilities		14,024
Long-term value of interest rate swap		21,010
Total liabilities		673,616
Deferred Inflows Related to Pension		1,979
Deferred Inflows Related to Other Post Employment Benefits		1,211
Total liabilities and deferred inflows		676,806
Net Position:		
Net investment in capital assets		71,661
Restricted by donors, expendable		5,427
Restricted by donors, nonexpendable		244
Unrestricted		235,079
Total net position		312,411
Total liabilities, deferred inflows and net position	$	989,217

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2018
(In Thousands)

Operating Revenues:		
Net patient service revenue,		
before provision for bad debts	$	602,996
Provision for bad debts		(86,967)
Net patient service revenue		516,029
Ad valorem tax revenue		6,048
Other revenue		27,539
Total operating revenues		549,616
Operating Expenses:		
Salaries and benefits		268,113
Supplies		102,396
Purchased services		85,613
Depreciation and amortization		26,157
Ad valorem tax-related expenses		6,570
Leases and rentals		6,717
Other		28,733
Total operating expenses		524,299
Income from operations		25,317
Nonoperating Revenues (Expenses):		
Interest expense		(17,890)
Investment income – net		7,803
Donation revenue		679
Nonoperating gains – net		1,290
Total nonoperating expenses		(8,118)
Increase in net position		17,199
Net Position:		
Beginning net position, as restated (Note 10)		295,212
End of year	$	312,411

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows
Year Ended September 30, 2018
(In Thousands)

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	$ 507,299
Payments to employees	(287,369)
Payments to suppliers	(194,412)
Ad valorem taxes	6,048
Other receipts	32,962
Other payments	(41,744)
Net cash provided by operating activities	22,784
Cash Flows from Noncapital Financing Activities:	
Proceeds from donations received	679
Other nonoperating expenses	1,290
Net cash provided by noncapital financing activities	1,969
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(41,067)
Principal paid on long-term debt	(6,605)
Proceeds from issuance of bonds	85,000
Payment of bond issue costs	(354)
Payment of interest on long-term debt	(17,451)
Net cash provided by capital and related financing activities	19,523
Cash Flows from Investing Activities:	
Realized investment income	7,887
Purchase of investments and assets whose use is limited	(221,087)
Proceeds from sales and maturities of investments and assets whose use is limited	154,272
Net cash used in investing activities	(58,928)
Net decrease in cash and cash equivalents	(14,652)
Cash and Cash Equivalents:	
Beginning of year	63,423
End of year	$ 48,771
Supplemental schedule of noncash capital and related financing activities, acquisition of capital assets included in accounts payable and accrued liabilities	$ 6,800

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows (Continued)
Year Ended September 30, 2018
(In Thousands)

Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	$	25,317
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization expense		26,157
Unrealized losses on investments considered operating activity		(1,310)
Provision for bad debts		86,967
Changes in assets and liabilities:		
Accounts receivable, patients		(96,703)
Inventories and other current assets		1,102
Other assets		10,622
Accounts payable and accrued liabilities		2,316
Other liabilities		(31,684)
Net cash provided by operating activities	$	22,784
Noncash Investing Activities, unrealized gains (losses) on investments and assets whose use is limited, net	$	(83)

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Fiduciary Net Position
September 30, 2018
(In Thousands)

Assets:		
Investments, at fair value:		
Money market funds	$	143
U.S. treasury notes and bonds		110,779
Mutual Funds - at fair value		168,517
Accrued income		659
Net position restricted for pension benefits	$	280,098

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2018
(In Thousands)

Additions:	
Investment results:	
Appreciation in fair value of investments	$ 9,493
Interest and dividends	5,790
Net investment results	15,283
Employer contributions	19,876
Total additions	35,159
Deductions:	
Administrative expenses	71
Benefits paid directly to participants	21,349
Total deductions	21,420
Increase in net position restricted for pension benefits	13,739
Net Position Restricted for Pension Benefits:	
Beginning of year	266,359
End of year	$ 280,098

See Notes to Financial Statements.

Note 1. Description of the Organization

Reporting Entity: Halifax Hospital Medical Center (the "Medical Center") d/b/a Halifax Health was created by a special act of the Legislature of the State of Florida, Chapter 2003-374, Laws of Florida, as a special taxing district (the "District"), a public body corporate and politic of the State of Florida and successor to Halifax Hospital District created pursuant to Chapter 112.72, Laws of Florida, Special Acts of 1925. The Medical Center's Board of Commissioners (the "Board") is empowered to levy ad valorem taxes for operating expenses, capital outlays, and other purposes.

The Medical Center, located in Daytona Beach, Florida, is a full-service, accredited, acute care hospital licensed to operate 673 beds. The Medical Center owns and operates three inpatient hospital facilities under one license and several ambulatory facilities. The main campus of the Medical Center is the inpatient referral center, providing Level II neonatal intensive care and a Level II state-certified trauma center, in addition to open-heart surgery, neurosurgery, and other specialty inpatient and outpatient services. The Port Orange campus, located ten miles south of the main campus, is a community hospital providing a broad range of services to the residents of Port Orange and Southeast Volusia County. The Halifax Behavioral Services campus, located two miles north of the main campus, provides child, adolescent, and adult inpatient and outpatient psychiatric services to the residents of Volusia and Flagler Counties.

As required by accounting principles generally accepted in the United States of America ("GAAP"), these financial statements represent the primary government, the Medical Center, and its component units. The component units discussed below are included because of the significance of their operational or financial relationships with the Medical Center. The Medical Center, together with its component units, is referred to as "Halifax Health." All significant intercompany accounts and balances have been eliminated in the financial statements.

Component Units: East Volusia Health Services, Inc. ("EVHS"); Halifax Healthcare Systems, Inc. ("HHCSI"), HH Holdings, Inc. ("Holdings"); Halifax Healthy Families Corporation d/b/a Healthy Communities ("Healthy Communities"); Halifax Staffing, Inc. ("Staffing"); Patient Business & Financial Services, Inc. ("PBFS"); Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice"); Halifax Management System, Inc. ("HMS"); Halifax Medical Center Foundation, Inc. ("Foundation"); and Volusia Health Ventures, Inc. d/b/a Volusia Health Network ("VHN") are legally separate organizations for which the Medical Center is financially accountable and the nature and significance of their relationship to the Medical Center are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. With the exception of the Foundation, the Medical Center Board appoints the Board of Directors for the other component units, and each has a specific financial benefit or burden to the Medical Center. While the Foundation appoints its own Board of Directors, it also has a specific financial benefit to the Medical Center, and is fiscally dependent on the Medical Center. Accordingly, all of these organizations represent component units of the Medical Center.

Each component unit was established to provide administrative and other services for and on behalf of the Medical Center. In accordance with GASB Statement No. 80, which was adopted by the Medical Center in 2016, these entities are blended within the financial results of the Medical Center because they are organized as not-for-profit corporations and the Medical Center is the sole corporate member of each component unit, with the exception of HMS and VHN. HMS is blended within the financial results of the Medical Center in accordance with GASB Statement No. 61 because it has a specific financial benefit to the Medical Center, and management of the Medical Center have operational responsibility for the results of HMS. The activities of VHN are not considered material to the Medical Center.

Note 1. Description of the Organization (Continued)

EVHS is a not-for-profit corporation organized under the laws of Florida. EVHS was organized for the purpose of entering into joint-venture agreements to enhance the access and quality of patient care provided to the community.

HHCSI is a not-for-profit corporation organized under the laws of Florida. HHCSI was organized for the purpose of enhancing the access and quality of patient care provided to the community.

Holdings is a not-for-profit corporation organized under the laws of Florida that was established to manage the remaining assets that resulted from the sale of Florida Health Care Plan in 2008.

Healthy Communities is a not-for-profit corporation organized under the laws of Florida that coordinates the delivery of education, health resources, and direct assistance to the community. The services provided by Healthy Communities include administering Healthy Kids (child health insurance program), facilitating the provision of preventive care, and providing education and other activities relating to the general welfare of all children in Volusia and Flagler counties.

Staffing is a not-for-profit corporation organized under the laws of Florida, formed for the purpose of providing individuals to staff and manage the Medical Center, its component units, and any other related entities and facilities. The Medical Center is obligated to reimburse Staffing for all costs incurred in meeting its obligations under an agreement between the parties.

PBFS is a not-for-profit corporation that operates the patient accounting services for the Medical Center and employs certain staff for this function.

Hospice was organized in 1984 as a not-for-profit corporation under the laws of Florida. Hospice provides palliative medical care and treatment to patients who have less than six months to live via four inpatient care centers and in-home hospice services. The Port Orange care center is a 16-bed inpatient care center located in Port Orange. The West Volusia Care Center is an 18-bed center in Orange City. The Southeast Volusia care center is a 12-bed facility located in Edgewater. The Ormond Beach Care Center is a 12-bed facility.

HMS was organized in 1984 as a not-for-profit corporation under the laws of Florida. HMS owns and leases to the Medical Center two ambulatory facilities and one hospital facility. Facilities located in Ormond Beach and on the Medical Center’s main campus in Daytona Beach provide outpatient hospital services and medical offices. The third facility located in Port Orange is an 80-bed inpatient hospital.

The Foundation was organized in 1988 as a not-for-profit corporation under the laws of Florida. The Foundation is the fund-raising organization for the Medical Center.

VHN was organized in 1984 as a not-for-profit corporation under Florida law. VHN operates a preferred provider network of physicians and hospitals in the service area and offers the network and certain related services to employers that are self-insured for the health insurance coverage of their employees.

EVHS has a 95% interest in Daytona Area Senior Services (DASS) d/b/a Halifax Health Care at Home, which provides home health services to the residents of the local area. DASS’ financial activity is included in these financial statements.

Presented on the following pages are condensed combining schedules for the component units.

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Net Position
September 30, 2018
(In Thousands)

		Blended Component Units										
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS	Intercompany Eliminations	Halifax Health
Assets and Deferred Outflows												
Current Assets	$ 223,788	$ 137,599	$ -	$ -	$ 344	$ 7,821	$ 76,869	$ 30	$ 39,605	$ 1,180	$ -	$ 487,236
Noncurrent Assets Whose Use is Limited	42,787	-	-	-	-	-	2,650	-	5,671	-	-	51,108
Capital Assets, net	289,827	21,378	-	-	178	31	18,042	3	-	50,512	-	379,971
Other Assets and Deferred Outflows	61,309	26,993	-	-	-	5,101	4,492	-	-	-	(26,993)	70,902
Total assets and deferred outflows	$ 617,711	$ 185,970	$ -	$ -	$ 522	$ 12,953	$ 102,053	$ 33	$ 45,276	$ 51,692	$ (26,993)	$ 989,217
Liabilities, Deferred Inflows and Net Position												
Current Liabilities	$ 88,836	$ 7	$ -	$ -	$ 2,697	$ 389	$ 1,891	$ 941	$ 122	$ 7,849	$ -	$ 102,732
Long-Term Debt, less current portion	438,237	-	-	-	-	-	-	-	-	26,993	(26,993)	438,237
Other Liabilities and Deferred Inflows	130,035	-	-	-	-	-	3,777	-	2,025	-	-	135,837
Total liabilities and deferred inflows	657,108	7	-	-	2,697	389	5,668	941	2,147	34,842	(26,993)	676,806
Net Position:												
Net investment in capital assets	2,986	-	-	-	118	-	18,042	3	-	50,512	-	71,661
Restricted by donors, expendable	-	-	-	-	-	-	-	-	5,427	-	-	5,427
Restricted by donors, nonexpendable	-	-	-	-	-	-	-	-	244	-	-	244
Unrestricted	(42,383)	185,963	-	-	(2,293)	12,564	78,343	(911)	37,458	(33,662)	-	235,079
Total net position	(39,397)	185,963	-	-	(2,175)	12,564	96,385	(908)	43,129	16,850	-	312,411
Total liabilities, deferred inflows and net position	$ 617,711	$ 185,970	$ -	$ -	$ 522	$ 12,953	$ 102,053	$ 33	$ 45,276	$ 51,692	$ (26,993)	$ 989,217

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2018
(In Thousands)

		Blended Component Units										
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS	Intercompany Eliminations	Halifax Health
Operating Revenues	$ 487,831	$ 1,593	$ -	$ -	$ 3,349	$ 7,303	$ 44,780	$ 1,294	$ 3,598	$ 2,972	$ (3,104)	$ 549,616
Operating Expenses, before depreciation and amortization	196,683	252	226,271	25,988	4,181	3,078	42,876	1,155	701	61	(3,104)	498,142
Depreciation and Amortization	23,775	777	-	-	18	18	766	-	-	803	-	26,157
Total operating expenses	220,458	1,029	226,271	25,988	4,199	3,096	43,642	1,155	701	864	(3,104)	524,299
Income (loss) from operations	267,373	564	(226,271)	(25,988)	(850)	4,207	1,138	139	2,897	2,108	-	25,317
Nonoperating Revenues (Expenses)	(267,018)	1,452	226,271	25,988	-	-	5,451	-	-	(262)	-	(8,118)
Increase (decrease) in net position	$ 355	$ 2,016	$ -	$ -	$ (850)	$ 4,207	$ 6,589	$ 139	$ 2,897	$ 1,846	$ -	$ 17,199

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Cash Flows
Year Ended September 30, 2018
(In Thousands)

		Blended Component Units											
Net cash provided by (used in):	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS	Total Blended Component Units	Intercompany Eliminations	Halifax Health
Operating Activities	$ 269,652	$ (27)	$ (226,271)	$ (25,988)	$ (1,070)	$ 1,327	$ 1,717	$ 168	$ 1,526	$ 1,750	$ 5,161	$ -	$ 22,784
Noncapital Financing Activities	(249,052)	(26,993)	226,271	25,988	1,070	(2,030)	-	(168)	-	26,883	26,715	-	1,969
Capital and Related Financing Activities	42,266	(895)	-	-	-	(2)	2,724	-	-	(27,455)	(24,731)	-	19,523
Investing Activities	(84,304)	26,660	-	-	-	-	(139)	-	(1,145)	-	(1,284)	-	(58,928)
Net increase (decrease) in cash and cash equivalents	(21,438)	(1,255)	-	-	-	(705)	4,302	-	381	1,178	5,861	-	(14,652)
Cash and Cash Equivalents:													
Beginning of year	52,718	1,964	-	-	-	7,430	113	-	1,198	-	1,311	-	63,423
End of year	$ 31,280	$ 709	$ -	$ -	$ -	$ 6,725	$ 4,415	$ -	$ 1,579	$ 1,178	$ 7,172	$ -	$ 48,771

Note 1. Description of the Organization (Continued)

Fiduciary Fund Financial Statements: The Pension Trust Fund (the "Pension Fund"), the fiduciary fund, is used to account for the net position restricted for the pension benefits of certain employees of Staffing and Hospice.

Note 2. Significant Accounting Policies

A summary of the significant accounting policies used by Halifax Health follows:

Accounting Standards: These financial statements have been prepared in accordance with the Governmental Accounting Standards Board ("GASB") codification ("GASB Cod."). The financial statements of the component units are also prepared in accordance with the GASB codification, as they are established for the direct benefit of the Medical Center. The financial statements of the Medical Center and its component units have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents: All unrestricted highly liquid investments with maturities of three months or less when purchased are considered cash equivalents, excluding cash and cash equivalents included in assets whose use is limited. Cash deposits are fully collateralized and federally insured up to FDIC limits.

Investments: Investments are reported at fair value or amortized cost, if not materially different from fair value. Investments are marketable securities representing the investment of cash available for current operations, and as such are reported as current assets. Interest and dividends, when earned, and realized and unrealized investment gains and losses are recorded as nonoperating revenue in the statements of revenues, expenses, and changes in net position, with the exception of Foundation. Interest and dividends, when earned, and realized and unrealized investment gains and losses of the Foundation are recorded as operating revenue in the accompanying statements of revenues, expenses, and changes in net position.

Net Patient Accounts Receivable: Net patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered. The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results of this review are then used to make any modifications to the provision for bad debts and to establish an appropriate estimated allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts.

Assets Whose Use is Limited: Assets whose use is limited includes assets held for self-insurance funds, restricted funds under indenture agreements for debt service, Board-designated funded depreciation, donor restricted funds, and Board-designated assets set aside for other purposes. The Board may change these Board designations at its discretion.

Inventories: Inventories consist of medical supplies, which are stated at the lower of cost or market (on a first-in, first-out basis).

Note 2. Significant Accounting Policies (Continued)

Capital Assets: Purchases of real property and equipment greater than $1,000 that have a useful life of longer than one year are capitalized at cost. The costs of replacement assets are capitalized in the same manner. Interest expense incurred during construction, net of investment gains on proceeds from issued debt, is capitalized. Interest cost incurred during construction for which no debt has been issued is evaluated based on the size and duration of the project for capitalization. The cost of minor equipment less than $1,000 and repairs are recorded in operating expenses.

Capital assets are reviewed and considered for impairment whenever indicators of impairment are present, such as the decline in service utility of a capital asset that is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.

Intangible Assets: Certain intangible assets are capitalized in accordance with GASB Cod. Sec. 1400, *Reporting Capital Assets*. Generally, those intangible assets would meet the same criteria for capitalization as other capital assets; cost greater than $1,000 and a useful life of longer than one year.

Goodwill: Goodwill represents the purchase price in excess of the fair value of net assets acquired that is attributed to future years. Goodwill is included in deferred outflows on the accompanying statement of net position.

Depreciation and Amortization: Capital assets, excluding land and construction in progress, are depreciated on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 5 to 20 years for building improvements, 10 to 40 years for buildings, 10 to 20 years for fixed equipment, and 3 to 20 years for major movable equipment. Capitalized intangible assets and goodwill are amortized over their estimated useful lives of three years and five years, respectively. Bond premium (discount) is reported in the accompanying financial statements as an increase (deduction) from long-term debt and is deferred and amortized in a manner that approximates the effective interest method.

Debt Issue Costs and Unamortized Bond Premium: Debt issuance costs are expensed as incurred. Unamortized bond premium is amortized over the period the related obligation is outstanding. The amortization of bond premium is included as a component of interest expense.

Derivative Instruments: The Medical Center has entered into an interest rate-swap agreement (the “Swap”) and applies hedge accounting in accordance with GASB Cod. Sec. D40, *Derivative Instruments*. For effective hedging instruments, the change in fair value is recorded as a deferred outflow in noncurrent assets on the accompanying statement of net position, and the fair value of the Swap is reported in noncurrent liabilities. See Note 8 for more information on the Swap.

Deferred Outflows and Inflows: In addition to the Swap described above, certain pension costs, other postemployment benefits, and losses on refunding of debt in prior years are included in deferred outflows and inflows and amortized over a specified period. Amortization of pension and other postemployment benefits related deferred outflows and inflows is included in salaries and benefits expense in the accompanying statement of revenues, expenses, and changes in net position. Amortization of losses on refunding of long-term debt is included in interest expense.

Personal Leave Time: Personal leave time, which includes holiday, sick, and vacation time, that is accrued but not used at September 30, 2018, is included in accrued payroll and personal leave time in the accompanying statement of net position.

Note 2. Significant Accounting Policies (Continued)

Pension Plan: The Halifax Pension Plan (the "Plan") is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan that covers certain employees of the two participating employers, Hospice and Staffing. The Plan is accounted for in accordance with GASB Cod. Sec. Pe5, *Pension Plans—Defined Benefit*. Contributions are made based on the minimum recommended contribution as determined by actuarial valuation. The Plan is considered a governmental plan exempt from Employee Retirement Income Security Act requirements based upon rulings received from the Internal Revenue Service. See Note 9 for more information on the Plan.

Self-Insurance: Halifax Health is self-insured for various risks of loss, including professional and general liability losses, workers' compensation claims, and employees' health claims. Estimated liabilities include known claims and claims that have been incurred but not reported. The noncurrent portion of estimated professional and general liability losses and workers' compensation claims have been discounted using a 4% interest rate for 2018. Estimated losses for employees' health claims are not discounted as all amounts are considered current liabilities. See Note 6 for more information on self-insurance liabilities.

Income Taxes: The Medical Center is tax exempt under Section 115 of the Internal Revenue Code ("IRC"). With the exception of VHN, all of the component units are not-for-profit corporations described in Section 501(c)(3) of the IRC and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the IRC and Chapter 220.13 of the Florida Statutes, respectively. VHN is a taxable Florida not-for-profit corporation. There was no material amount of tax expense or benefit for the year ended September 30, 2018.

Net Position: In accordance with GASB Cod. Sec. 2200, *Comprehensive Annual Financial Report*, net position is reported in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt issued that is attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

The restricted component of net position consists of restricted assets; assets that have constraints placed on them externally by creditors, grantors, contributors, or laws or regulations of other governments, or laws through constitutional provisions or enabling legislation, reduced by liabilities or deferred inflows related to those restricted assets.

The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources and liabilities, and deferred inflows of resources that do not meet the definitions of the other two components of net position.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Expenses: For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions, such as interest expense, donations, and investment income are reported as nonoperating revenues, expenses, gains, and losses, with the exception of the Foundation. Interest and dividends when earned, and realized and unrealized investment gains and losses of the Foundation are recorded as operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Note 2. Significant Accounting Policies (Continued)

Ad valorem taxes levied and received by the Medical Center are designated by law to fund the Medical Center's operating expenses, which may include maintenance, construction, improvements, and repairs to the Medical Center or fund other expenses in carrying out the business of the Medical Center. The Medical Center considers ad valorem tax receipts to be ongoing and central to the provision of health care services and, accordingly, classifies these funds as operating revenue.

Ad valorem taxes received by the Medical Center are based on the assessed valuation of certain taxable real and personal property at the Board-approved millage rate for the year. Gross receipts of $6.0 million are included in operating revenues in the accompanying statement of revenues, expenses, and changes in net position. Certain expenses directly attributable to the Medical Center's status as a taxing authority are classified as ad valorem tax-related expenses. These expenses, when added to the charity care and other uncompensated care provided to qualifying patients, exceed ad valorem taxes received and are considered by the Board when determining the tax levy.

Substantially all expenses, including those expenses directly attributable to the Medical Center's status as a taxing authority, are considered by management to be ongoing and central to the provision of health care services and, therefore, are reported as operating expenses. The excess of revenue over expenses is reported as income from operations in the accompanying statement of revenues, expenses, and changes in net position and excludes nonoperating revenues, expenses, gains, and losses.

When an expense is incurred for which both unrestricted and restricted resources are available, restricted resources are applied first.

<u>Net Patient Service Revenue</u>: The Medical Center and Hospice serve certain patients whose medical costs are not paid at established rates. These include patients sponsored under government programs, such as Medicare and Medicaid, patients sponsored under private contractual agreements, and uninsured patients who have limited ability to pay.

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others when services are rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Approximately $8.4 million in amounts due to Medicare and Medicaid relating to estimated future retroactive adjustments is recorded in accounts payable and accrued liabilities.

Revenue from the Medicare and Medicaid programs accounted for approximately 59% of net patient service revenue for the year ended September 30, 2018. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. Adjustments to revenue related to prior periods decreased net patient service revenue by approximately $103,000 for the year ended September 30, 2018.

Note 2. Significant Accounting Policies (Continued)

The Medical Center and Hospice classify a patient as charity based on established policies. These policies define charity services as those services for which no additional payment is anticipated. When assessing a patient's ability to pay, the Medical Center utilizes percentages of the federal poverty income levels, as well as the relationship between charges and the patient's income. Beginning fiscal year 2016, the Medical Center's policy was revised from 200% to 400% of the federal poverty income level. Hospice classifies charity patients as those whose income is at or below the federal poverty guidelines. Core services may be covered in full, or discounted based on income and a sliding scale. Charity care, based on estimated costs, totaled approximately $36.5 million for the year ended September 30, 2018. Cost of charity care is calculated by applying the cost-to-charge ratio to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the total expenses, excluding bad debt, and dividing by gross charges of the Medical Center.

Net patient service revenue is reported net of charity adjustments, contractual adjustments, and provision for bad debts for the year ended September 30, 2018, as follows (in thousands):

Gross patient charges	$ 2,003,777
Charity adjustments	(134,676)
Contractual adjustments	(1,266,105)
Net patient service revenue before provision for bad debts	602,996
Provision for bad debts	(86,967)
Net patient service revenue	$ 516,029

New Accounting Pronouncements: On October 1, 2017, Halifax Health adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost sharing OPEB plans administered through a trust and OPEB not provided through a trust. The statement required the Medical Center and Hospice to record a net OPEB liability on the accompanying statement of net position. The adjustment to the beginning balance of net position of Halifax Health was approximately $17.5 million (see Note 10).

Pending Accounting Pronouncements: In June 2017, GASB issued Statement No. 87, *Leases.* This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The lease assets and liabilities will be recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard is effective for fiscal years beginning after December 15, 2019. Halifax Health is evaluating the impact of this statement on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost incurred before the End of a Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. This standard is effective for fiscal years beginning after December 15, 2019. Halifax Health is evaluating the impact of this statement on its financial statements.

Note 3. Investments and Assets Whose Use is Limited

Halifax Health measures and records its investments and assets whose use is limited using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active; and

- Corporate and Municipal Bonds: quoted prices for similar securities in active markets.

Note 3. Investments and Assets Whose Use is Limited (Continued)

The composition and fair value classification of investments and assets whose use is limited of Halifax Health at September 30, 2018, is set forth in the following table:

		Assets Whose Use is Limited and Restricted Assets					
	Investments	Trustee-Held Self-Insurance Funds	Board-Designated Funded Depreciation	Trustee-Held Funds for Capital Projects	Restricted by Donor	Board Designated Other	Total
				(In Thousands)			
Level 1							
Money market funds	$ 12,312	$ 500	$ 92	$ 17	$ -	$ -	$ 12,921
Mutual funds:							
DFA Emerging Markets Value Portfolio	1,741	-	-	-	399	95	2,235
DFA International Value Portfolio	4,440	-	-	-	887	227	5,554
DFA Small Cap Value Portfolio	8,275	-	-	-	1,856	430	10,561
DFA U.S. Large Cap Value Portfolio	19,007	-	-	-	2,284	868	22,159
Vanguard Energy Fund Admiral Shares	237	-	-	-	-	52	289
Vanguard Energy Index	766	-	-	-	-	-	766
Vanguard Health Care Fund	683	-	-	-	-	60	743
Vanguard Large Cap Growth Index Fund	9,206	-	-	-	-	-	9,206
Vanguard Short-Term Investment Grade Inst Fund	25,901	-	-	-	-	918	26,819
Vanguard Small Cap Growth Index Fund	9,655	-	-	-	-	-	9,655
U.S. Treasury securities	209,537	-	2,966	-	-	-	212,503
Total Level 1	301,760	500	3,058	17	5,426	2,650	313,411
Level 2							
U.S. Government-sponsored enterprises:							
Federal National Mortgage Association	-	-	8,239	-	-	-	8,239
Federal Home Loan Bank	9,496	-	27,456	-	-	-	36,952
Federal Home Loan Mortgage Corporation	1,973	-	3,936	-	-	-	5,909
Corporate bonds	20,681	-	-	-	-	-	20,681
Other	2,593	-	81	-	245	-	2,919
Total Level 2	34,743	-	39,712	-	245	-	74,700
Total	$ 336,503	$ 500	$ 42,770	$ 17	$ 5,671	$ 2,650	$ 388,111

Note 3. Investments and Assets Whose Use is Limited (Continued)

All investments of the Halifax Pension Plan were classified as Level 1 at September 30, 2018. The composition of investments in the Halifax Pension Plan at September 30, 2018, is set forth in the following table (in thousands):

Money market funds	$	143
U.S. Government Securities,		
US Treasury Notes and Bonds		110,779
Mutual funds:		
DFA Emerging Markets Value Portfolio		10,616
DFA International Value Portfolio		37,527
DFA U.S. Large Cap Value Portfolio		25,894
DFA U.S. Small Cap Value Portfolio		27,094
Vanguard Energy Fund Admiral Shares		11,516
Vanguard Energy Index Fund		
Vanguard Growth Index Fund		15,602
Vanguard Health Care Fund		11,963
Vanguard Short-Term Investment Grade Inst Fund		12,514
Vanguard Small Cap Growth Index Fund		15,791
Other		659
Total	$	280,098

Assets whose use is limited for obligations classified as current liabilities are reported as current assets.

The Medical Center invests in money market and mutual funds that qualify as fixed-income securities in accordance with its investment policy described in Note 4. At September 30, 2018, the Medical Center was invested in one money market fund, the Wells Fargo Advantage Government Money Market Fund, and the following mutual funds:

- Vanguard Short-Term Federal Admiral Fund (VSGDX) invests at least 80% of its portfolio in short-term debt securities issued by the U.S. government, its agencies and U.S. government-sponsored enterprises. The fund had an average duration of 2.4 years as of September 30, 2018.

- Vanguard Short-Term Investment-Grade Institutional Fund (VFSIX) invests at least 80% of its portfolio in short and intermediate-term investment grade securities. The fund had an average duration of 2.7 years as of September 30, 2018.

At September 30, 2018, the Medical Center held debt securities in U.S. Treasury Obligations and U.S. Government-sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation.

Investment income on assets whose use is limited, restricted assets, and investments for the year ended September 30, 2018, was $7.8 million and includes unrealized gains of $82,600. Investment income of the Foundation includes unrealized gains of approximately $1.3 million and is included in other operating revenue.

Note 4. Deposits and Investment Risk

GASB Cod. Sec. I50, *Investments*, requires disclosures related to investment and deposit risks, including risks related to credit risk, consisting of custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. GASB Cod. Sec. I50 also requires the disclosure of the credit quality of investments in debt securities, except for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.

Investment Risk: Investment policies were established in order to control and diversify risk by limiting specific security types and/or concentration with individual financial institutions. Specific investment types are limited to a percentage of the total investment portfolio and maximum maturity date. Investment strategies are influenced by relative market yields and the cash needs of Halifax Health. Excess funds of the Medical Center and its component units may be invested in accordance with the respective investment policies. Excess funds of the Medical Center may be invested in, but are not limited to:

- U.S. Government securities and repurchase agreements;
- U.S. Government agency and U.S. Government-sponsored enterprises;
- Domestic bank certificates of deposit provided that any such investments are in Federal Deposit Insurance Corporation guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Securities of, or other interests in, any management-type investment company or investment trust registered under the Investment Company Act of 1940, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the U.S. Government or any agency or instrumentality thereof;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. Government obligations; and
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above.

The Halifax Pension Plan's investment policy provides guidelines for the types of investments that can be acquired in order to provide maximum diversity and reduce risk. Specific asset classes are limited to a percentage of the total investment portfolio. Specific investment strategies are influenced by relative market yields and the cash needs of the Halifax Pension Plan. The Halifax Pension Plan may be invested in, but not limited to:

- Local government investment pool;
- U.S. Government securities and repurchase agreements;
- U.S. Government agency and U.S. Government-sponsored enterprises;
- Domestic Bank Certificates of Deposit provided that any such investments are in Federal Deposit Insurance Corporation ("FDIC") guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. Government obligations;
- Commercial Paper and Stocks; limited to issuers with an A rating or better; and
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above.

Note 4. Deposits and Investment Risk (Continued)

All investment decisions are made based on reasonable research as to credit quality, liquidity, and counterparty risk prior to the investment. An investment advisory firm is utilized to monitor the investment of all funds and quarterly performance of the portfolio is reported to management and the Investment Committee of the Board.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, Halifax Health and the Halifax Pension Plan will not be able to recover its deposits. At September 30, 2018, Halifax Health and the Halifax Pension Plan's deposits, consisting primarily of cash and cash equivalents, were covered by federal depository insurance, collateralized with U.S. Treasury Securities and Federal agency securities or guaranteed 100% by the State of Florida and collateralized through the Florida Bureau of Collateralization.

Credit Risk: The investment policy provides guidelines to investment managers that restrict investments in debt securities to those with an A- or A rating or better for Halifax Health and the Halifax Pension Plan, respectively, and established asset allocation limits to reduce the concentration of credit risk. Guidelines are provided to investment managers and monitored by the investment advisory firm and management for compliance. As of September 30, 2018, Halifax Health has an investment in debt securities with Federal Home Loan Bank totaling approximately $37 million, representing 9.52% of total investments. At September 30, 2018, the money market fund at Halifax Health had a credit rating of Aaa-mf, and other debt securities each had credit ratings of Aaa from Moody's Investors Service Inc.

As of September 30, 2018, the Halifax Pension Plan did not have investments in debt securities in any one issuer that represents 5% or more of the Halifax Pension Plan's fiduciary net position except for the U.S. Treasury Note that comprises of 39.6%. The Halifax Pension Plan's investment in a mutual fund that primarily invests in debt securities had a credit rating of Aaa-mf from Moody's Investor Services.

Interest Rate Risk: Changes in interest rates can adversely affect the fair value of an investment. Halifax Health and the Halifax Pension Plan manage exposure to interest rate risk by limiting investment maturities and diversifying its investment portfolios.

As of September 30, 2018, Halifax Health had investments, assets whose use is limited and restricted assets maturing as follows:

	Fair Value	No Maturity Date or Less than 1 Year	1 – 5 Years	6 – 10 Years
	(In Thousands)			
Money market funds	$ 12,921	$ 12,921	$ -	$ -
Mutual funds	87,987	87,987	-	-
U.S. Government securities	212,503	157,089	53,433	1,981
U.S. Government-sponsored enterprises	51,100	38,473	9,768	2,859
Corporate bonds	20,681	5,890	10,498	4,293
Other	2,919	2,919	-	-
Total	$ 388,111	$ 305,279	$ 73,699	$ 9,133

At September 30, 2018, all of the Halifax Pension Plan's investments had maturity dates within one year or no maturity date.

Note 5. Capital Assets

Capital assets are recorded at cost and presented net of accumulated depreciation in the accompanying statements of net position. Projects in progress includes short-term capitalizable projects and construction costs related to the Deltona hospital that were not yet in service as of September 30, 2018. Interest related to the Deltona hospital project was capitalized during the year in the amount of $216,000. A summary of the activities for the year ended September 30, 2018, is presented below:

	Balance at September 30, 2017	Increases/ Transfers	Decreases/ Transfers	Balance at September 30, 2018
		(In Thousands)		
Capital Assets—at cost:				
Land	$ 48,626	$ 1,805	$ -	$ 50,431
Land improvements	6,300	59	-	6,359
Buildings	403,429	3,680	43	407,066
Fixed equipment	25,824	5,889	-	31,713
Major moveable equipment	96,251	6,888	11,150	91,989
Computers and software	25,785	7,823	5,629	27,979
Projects in progress	19,940	61,303	39,024	42,219
Total capital assets—at cost	626,155	87,447	55,846	657,756
Accumulated Depreciation:				
Land improvements	3,471	249	-	3,720
Buildings	157,454	13,104	2	170,556
Fixed equipment	14,981	3,378	5	18,354
Major moveable equipment	72,799	5,753	11,162	67,390
Computers and software	20,464	2,915	5,614	17,765
Total accumulated depreciation	269,169	25,399	16,783	277,785
Capital assets—net	$ 356,986	$ 62,048	$ 39,063	$ 379,971

The Medical Center was issued a certificate of need for an establishment of a 96-licensed bed acute care hospital to be located in the City of Deltona, Florida. Construction of the hospital at the Halifax Crossing Development, a mixed use medically focused development site, has begun with a targeted completion date near the end of calendar year 2019. The estimated cost of the first phase of the hospital, consisting of 42 acute care beds, including development, building and equipment costs, is $105 million. Total cost incurred through September 30, 2018 is $31.3 million. Obtaining long-term financing for the project is in process.

Note 6. Self-Insurance and Insurance

Self-Insurance: The Medical Center is self-insured for various risks of loss, including professional and general liability losses, workers' compensation claims, and employees' health claims. Certain component units participate in the Medical Center's employee health and workers' compensation self-insurance programs. Self-insurance funds are held by a trustee bank and recorded as assets whose use is limited.

The Medical Center, as a subdivision of the State of Florida, has sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28, Laws of Florida, the Medical Center and its component units are not liable to pay a claim by or judgment to any one person which exceeds the sum of $200,000 or any claim or judgment, or portions thereof, which when totaled with all other claims or judgments paid by the state or its agencies or subdivisions arising out of the same incident or occurrence exceeds the sum of $300,000. Chapter 768.28 also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to and approved by the Florida Legislature.

Note 6. Self-Insurance and Insurance (Continued)

Professional and general liability losses are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Accrued self-insurance liabilities include an amount for claims that have been incurred but not reported based on actuarial determinations. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in actual claim amounts. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The liabilities for employees' health insurance and workers' compensation claims are estimated based on historical data. The Medical Center has commercial insurance policies for health insurance and workers' compensation for cases that exceed certain limits. The health insurance policy includes an 80% indemnity of cases that exceed $325,000 and a $1 million lifetime maximum. Specific excess coverage for workers' compensation includes retention of $750,000 per incident.

Changes in the accrued self-insurance liabilities for the years ended September 30, 2018 and 2017 are as follows:

	Balance at September 30, 2017	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2018
	(In Thousands)			
Employee health	$ 1,100	$ 8,541	$ (8,116)	$ 1,525
Professional liability	9,730	489	(1,098)	9,121
Workers' compensation	2,500	1,499	(1,674)	2,325
Total	$ 13,330	$ 10,529	$ (10,888)	$ 12,971

	Balance at September 30, 2016	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2017
	(In Thousands)			
Employee health	$ 905	$ 9,235	$ (9,040)	$ 1,100
Professional liability	9,420	1,331	(1,021)	9,730
Workers' compensation	2,650	1,481	(1,631)	2,500
Total	$ 12,975	$ 12,047	$ (11,692)	$ 13,330

Certain matters of litigation against Halifax Health arise in the normal course of business. Losses in excess of amounts accrued may occur although an estimate of such excess cannot be made. It is the opinion of management that the ultimate liability, if any, resulting from these matters will not have a material adverse effect on Halifax Health's financial statements.

Note 7. Long-Term Debt

Long-term debt at September 30, 2018, consists of the following:

	Current Portion of Long-Term Debt	Long-Term Debt	Premium
		(In Thousands)	
Bonds payable:			
Series 2008	$ -	$ 70,000	$ -
Series 2015	4,350	103,510	9,486
Series 2016	1,170	161,135	9,106
Series 2018	-	85,000	-
Total bonds payable	$ 5,520	$ 419,645	$ 18,592

Bonds Payable: Halifax Health has outstanding $443.8 million of debt, which was issued to refund prior debt and to provide funding for capital projects and operating reserves. The debt is organized with outstanding principal balances as follows: $70 million of tax-exempt, variable-rate demand-obligation ("VRDO") bonds ("Series 2008"), secured by a letter of credit; $111.5 million of tax-exempt, fixed rate bonds ("Series 2015"), $163.9 million of tax-exempt, fixed rate bonds ("Series 2016"), and $85 million of revenue bonds ("Series 2018"). Pursuant to the terms of the Master Trust Indenture ("MTI") under which the bonds were issued (excluding conduit indebtedness), principal and interest on each bond series are payable from and secured by a pledge of net revenues of the Obligated Group. The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group's financial information, including EVHS, Staffing, HHCSI and PBFS.

On June 1, 2018, the Medical Center and Holdings issued $85 million in revenue bonds to finance the funding of operating reserves for the District, provide liquidity and for payment of operating expenses of the District. Bond issuance costs of approximately $354,000 are included in interest expense in the accompanying statement of revenues, expenses and changes in net position. The variable interest rate is 30 day LIBOR plus 120 basis points. The Series 2018 bonds are subject to redemption at any time on or after December 1, 2018, and prior to maturity, at the option of the Medical Center. If the redemption occurs after June 1, 2019, the Series 2018 bonds can be redeemed at the principal amount outstanding, plus accrued interest. If the redemption occurs between December 1, 2018 and May 31, 2019, the redemption amount is in excess of the outstanding principal amount.

The Series 2015 bonds and Series 2016 have maturities starting on June 1, 2017 and extending through 2046. Interest rates range from 3.0% to 5.0%.

The Series 2008 bonds are tax-exempt, variable-rate securities with a weekly interest-rate period. The Series 2008 bonds have final maturities of June 1, 2048, subject to the demand provisions described below. The net proceeds of the Series 2008 bonds were used to advance refund a portion of the Medical Center's outstanding indebtedness, to provide funds for future capital projects, and for reimbursement of prior capital expenditures.

Note 7. Long-Term Debt (Continued)

The Series 2008 bonds are subject to purchase from time to time at the option of the owners thereof and are required to be purchased in certain circumstances. As such, the bonds are supported by a remarketing agreement and an irrevocable direct pay letter of credit with a bank in the aggregate amount of $70 million at September 30, 2018. The remarketing agreement generally provides the Medical Center the option to market the obligations at the then-prevailing short-term rate, as determined by the remarketing agent. The obligations were marketed weekly during 2018, with interest rates ranging from 0.80% to 1.85%. The term of the letter of credit expires November 17, 2020. The letter of credit is secured by an interest in any bonds purchased with draws on the letter of credit and amounts payable under the MTI. The Medical Center did not draw on the letter of credit during 2018. In the event that the Series 2008 bonds are unable to be remarketed, the Medical Center would be required to draw on the letter of credit. Repayments of principal and interest would begin one year after the date of the draw, and be made in 12 equal quarterly installments and any amounts outstanding at the termination date of the letter of credit would be due and payable at that date. Therefore, the entire outstanding amount drawn on the letter of credit would become due by November 15, 2021. Pursuant to the terms of the letter of credit, the Medical Center is required to comply with certain provisions regarding additional borrowings, capital expenditures, and the maintenance of certain financial ratios.

The Medical Center has a $70 million notional-amount fixed-pay percentage of the London InterBank Offered Rate ("LIBOR") interest rate swap on the Series 2008 bonds (the "Swap"). The variable interest paid on the Series 2008 bonds is expected to correlate very closely with the rate that is received on the related Swap. The effective interest rate on the Swap is a synthetic fixed rate of interest of 4.02% at September 30, 2018. See Note 8 for further information on the Swap.

The Obligated Group is required to comply with certain provisions regarding additional borrowings and the maintenance of certain minimum debt service coverage, liquidity, and indebtedness ratios.

A summary of bond issues follows (in thousands):

Fixed Rate Bonds

		Term Bonds			Serial Bonds		
Series	Date Issued/ Converted	Original Issue Amount	Interest Rate	Maturity Date	Original Issue Amount	Interest Rate	Maturity Date
Series 2015	April 29, 2015	$ 57,795	5.00%	June 1, 2035	$ 57,530	3.00%–5.00%	June 1, 2030
			4.00	June 1, 2038			
			4.00	June 1, 2041			
			5.00	June 1, 2046			
Series 2016	March 28, 2016	$ 48,430	5.00	June 1, 2030	$ 117,060	3.75%–5.00%	June 1, 2046
			3.38	June 1, 2031			

Variable-Rate Bonds

Series	Date Issued	Original Issue Amount	Interest Rate at September 30, 2018	Maturity Date	Interest Rate Period
Series 2008	September 18, 2008	$ 70,000	0.93% *	June 1, 2048	7 days
Series 2018	June 1, 2018	85,000	3.28%	June 1, 2030	30 days

* This rate is the remarketed interest rate in effect as of September 30, 2018. The Medical Center also has a fixed-pay interest rate as part of the Swap. See Note 8 for more information on the Swap.

Note 7. Long-Term Debt (Continued)

Listed below are the debt service payments for Halifax Health for each of the five years ending September 30, 2019 through 2023 and in five-year increments thereafter (in thousands). The principal shown on the Series 2008 bonds is based on scheduled repayments; however, as described above the principal is subject to call by the bondholders, in which case the principal may be due by 2021. The interest rate used to calculate interest on the Series 2008 bonds was the remarketed interest rate in effect at September 30, 2018. The interest rate used to calculate interest on the Series 2018 bonds was the 30-day LIBOR plus 120 basis points in effect at September 30, 2018. The table below excludes interest amounts related to the swap (see Note 8).

	Series 2008		Series 2015		Series 2016		Series 2018		Total Debt Secured by Obligated Group		Total Halifax Health	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ -	$ 651	$ 4,350	$ 5,169	$ 1,170	$ 7,152	$ -	$ 2,790	$ 5,520	$ 15,762	$ 5,520	$ 15,762
2020	-	651	4,570	4,952	1,225	7,094	-	2,790	5,795	15,487	5,795	15,487
2021	-	651	4,785	4,723	1,305	7,032	-	2,790	6,090	15,196	6,090	15,196
2022	-	651	5,025	4,485	1,365	6,967	-	2,790	6,390	14,893	6,390	14,893
2023	-	651	5,285	4,233	1,425	6,899	-	2,790	6,710	14,573	6,710	14,573
2024-2028	-	3,255	21,575	17,167	17,345	33,130	-	13,948	38,920	67,500	38,920	67,500
2029-2033	-	3,255	12,050	13,402	37,285	26,482	85,000	6,044	134,335	49,183	134,335	49,183
2034-2038	-	3,255	15,295	10,169	47,030	16,726	-	-	62,325	30,150	62,325	30,150
2039-2043	24,220	2,597	21,050	6,658	31,100	8,203	-	-	76,370	17,458	76,370	17,458
2044-2048	45,780	1,104	13,875	1,410	23,055	1,868	-	-	82,710	4,382	82,710	4,382
Total	$ 70,000	$ 16,721	$ 107,860	$ 72,368	$ 162,305	$ 121,553	$ 85,000	$ 33,942	$ 425,165	$ 244,584	$ 425,165	$ 244,584

Note 7. Long-Term Debt (Continued)

Long-Term Notes Payable and Other Indebtedness:

Long-term debt activity for the year ended September 30, 2018, consisted of the following:

	Balance at September 30, 2017	Additions (Reductions) Net of Amortization of Original Issue Premium	Balance at September 30, 2018
		(In Thousands)	
Series 2008	$ 70,000	$ -	$ 70,000
Series 2010	1,295	(1,295)	-
Series 2015	121,404	(4,058)	117,346
Series 2016	173,332	(1,921)	171,411
Series 2018	-	85,000	85,000
Total	$ 366,031	$ 77,726	$ 443,757

Note 8. Interest Rate Swap

The Medical Center has previously entered into a Swap agreement with a notional amount of $70 million in conjunction with the issuance of the Series 2008 bonds that effectively converts the variable rate bonds to a fixed rate. Under the terms of the Swap, the Medical Center pays to the counterparty a fixed rate of interest equal to 3.837% of the remaining notional amount. In turn, the Medical Center receives a payment of variable interest equal to 67% of LIBOR. The termination date of this Swap agreement is June 1, 2048, which coincides with the maximum maturity of the Series 2008 bonds. Payments under the Swap agreement are insured by AGMC. For the year ended September 30, 2018, the Medical Center made approximately $2.7 million in payments under the Swap agreement to the counterparty and received approximately $807,500 in payments under the Swap agreement from the counterparty. The payments made and received under the Swap agreement are included in interest expense on the accompanying statement of revenues, expenses and changes in net position.

In accordance with GASB Cod. Sec. D40, the Medical Center applies hedge accounting for its Swap. At September 30, 2018, the fair value of the Swap liability of approximately $21.0 million was included in other long-term liabilities, with the current-year change in fair value of approximately $6.2 million recorded as a decrease in deferred outflows in noncurrent assets. The fair value of the Swap was approximately $21.0 million at September 30, 2018, as determined by an independent source. In accordance with GASB Statement No. 72, the fair value measurement of the Swap is classified as Level 2 and is valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk: The Medical Center is exposed to interest rate risk on the Swap. As LIBOR decreases, the Medical Center's net payment on the Swap increases.

Note 8. Interest Rate Swap (Continued)

Basis Risk: The Medical Center is exposed to basis risk on the Swap because the variable-rate interest payments it receives on the Swap is based on a rate other than the interest rate the Medical Center pays on its hedged, variable rate debt, which is remarketed every seven days. As of September 30, 2018, the interest rate on the hedged variable-rate debt is 0.93% and 67% of LIBOR is 1.44%.

Termination Risk: The Medical Center or its counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the Swap is in a liability position, the Medical Center would be liable to the counterparty for payment equal to the liability, subject to net settlement.

The following table summarizes the Medical Center's anticipated net cash flows from outstanding variable rate debt and the related Swap at September 30, 2018 (in thousands). The interest rates used to calculate interest on the variable rate debt and the variable portion of the Swap were the respective interest rates in effect at September 30, 2018. The rate used for the fixed-pay portion of the Swap is the actual interest rate of 3.837%.

Years ending September 30,	Principal	Interest	Net Interest on Swap	Total Interest
2019	$ -	$ 651	$ 1,675	$ 2,326
2020	-	651	1,675	2,326
2021	-	651	1,675	2,326
2022	-	651	1,675	2,326
2023	-	651	1,675	2,326
2024 – 2028	-	3,255	8,376	11,631
2029 – 2033	-	3,255	8,376	11,631
2034 – 2038	-	3,255	8,376	11,631
2039 – 2043	24,220	2,597	6,685	9,282
2044 – 2048	45,780	1,104	2,842	3,946
Total	$ 70,000	$ 16,721	$ 43,030	$ 59,751

Note 9. Pension Plan

Defined Benefit Pension Plan: Certain employees participate in the Halifax Pension Plan, which is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan (the "Plan") with two participating employers, Staffing and Hospice. The Plan is treated as a single employer plan for the purposes of making contributions and paying pension benefits, determining whether there has been any termination of service, and applying the maximum benefit limitation. Plan provisions are established and may be amended by the Board of Staffing, the Plan's sponsor. The Plan issues stand-alone financial statements that can be obtained by contacting the Plan's sponsor or by accessing Halifax Health's website at www.halifaxhealth.org. The Plan's financial statements are prepared using the accrual basis of accounting.

Note 9. Pension Plan (Continued)

The Plan covers all eligible employees who have attained the age of 21 and have more than one year of service. Eligibility for the Plan was closed to all employees whose initial hire date or rehire date was on or after October 1, 2000. Halifax Health assumed the unfunded portion of the past service liability for employees who participated and were not vested in the prior pension benefit programs. As of October 1, 2016, the valuation date, the Plan included 513 active employees, 539 terminated but vested participants, and 957 retired participants and beneficiaries.

Pension plan benefits are based on the number of years of service and the employee's highest three-year average annual compensation. Effective October 1, 2013 the Plan was frozen and as such, participants of the Plan will no longer accrue credit for years of service and, upon eligibility, calculation of benefits will be made based on compensation information through October 1, 2013. Participants may elect to receive pension plan benefits as a monthly annuity or as one lump-sum payment for an amount equal to the present value of future benefits, as calculated by an actuary. Beneficiaries receive an annual, automatic 3% cost of living adjustment.

The Medical Center is obligated by contractual agreement to fund contributions on behalf of Staffing. The contribution rate is determined on an actuarial basis. Halifax Health contributed $19.9 million to the Plan in fiscal year 2018. In accordance with GASB Statement No. 68, that amount is recorded on the statement of net position as a deferred outflow at September 30, 2018. Staffing's proportionate share of the contribution, expense and net pension liability is 95.93% and Hospice's proportionate share is 4.07% for fiscal year 2018. The proportionate share calculation is based on the present value of future salaries for active employees of Staffing and Hospice.

Significant assumptions of the Plan are presented in the following table:

Actuarial Methods and Assumptions

Mortality table	RP-2014 Mortality Table (sex-distinct), Scale MP2017
Interest rate	6.75% annually, compounded
Pay increase	N/A
Cost of living adjustment	3%
Measurement date	September 30, 2017
Valuation date	October 1, 2016
Allocation of Plan assets	40-70% Equities 30-60% Fixed income
Real rate of return	Overall - 5.70%, arithmetic mean Equities - 10.96% Fixed income - 0.41%
Experience study date	October 1, 2017

The discount rate used in measuring the total pension liability was 6.75% for fiscal years 2018 and 2017. The long-term expected rate of return on plan assets is 6.75%. The discount rates and rate of return are based on the long-term rate of return on pension plan investments expected to finance the payment of benefits into the future. Net pension liability at September 30, 2018 using a discount rate of 5.75% would have been $105.5 million, and using a discount rate of 7.75% would have been $37.9 million.

Note 9. Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table above.

The projection of cash flows used to determine the discount rate assumed that contributions from the Medical Center and Hospice will continue into the future and that the Plan will eventually be fully funded. It is also assumed that 25% of benefit payments will be paid out as one-time, lump-sum payments. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 9. Pension Plan (Continued)

The net pension liability at September 30, 2018 using a discount rate of 6.75% was $69.0 million. Since the last measurement date, September 30, 2016, the Plan updated its assumptions regarding mortality tables to the same assumption as used by the actuary for the Florida Retirement System Pension Plan per Florida Statutes. Changes in the pension accounts since the last valuation date, and pension expense, are as follows (in thousands):

	Deferred Outflow - Pension Contributions	Deferred Outflow - Investment Gains	Deferred Outflow - Liability Loss	Deferred Inflow - Change in Assumptions	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Pension Expense
Balance at September 30, 2017	$ 21,060	$ 9,215	$ 1,547	$ (4,387)	$ (328,897)	$ 240,144	$ (88,753)	$ -
Service cost	-	-	-	-	(3,770)	-	(3,770)	3,770
Interest cost	-	-	-	-	(21,776)	-	(21,776)	21,776
Difference in expected and actual experience	-	(8,732)	3,802	-	(3,802)	8,732	4,930	-
Changes of assumptions	-	-	-	(2,415)	2,415	-	2,415	-
Projected investment income	-	-	-	-	-	16,936	16,936	(16,936)
Benefit payments	-	-	-	-	20,439	(20,439)	-	-
Expenses	-	-	-	-	-	(74)	(74)	74
Contributions recognized in Plan Fiduciary Net Position	(21,060)	-	-	-	-	21,060	21,060	-
Contributions made after measurement date	19,876	-	-	-	-	-	-	-
Amortization of deferred inflows	-	(324)	(3,062)	4,823	-	-	-	(1,437)
Balance at September 30, 2018	$ 19,876	$ 159	$ 2,287	$ (1,979)	$ (335,391)	$ 266,359	$ (69,032)	$ 7,247

Proportionate share of the above balances as of September 30, 2018:

Medical Center	$ 19,067	$ 153	$ 2,194	$ (1,898)	$ (321,741)	$ 255,518	$ (66,223)	$ 6,952
Hospice	809	6	93	(81)	(13,650)	10,841	(2,809)	295
	$ 19,876	$ 159	$ 2,287	$ (1,979)	$ (335,391)	$ 266,359	$ (69,032)	$ 7,247

Note 9. Pension Plan (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2018, the amount of deferred outflows to be realized in future years and the amount of deferred inflows to be recognized in future years' pension expense as follows (in thousands):

	Deferred Outflow - Contributions	Deferred Outflow - Investment Gains	Deferred Outflow - Liability Loss	Deferred Inflow - Change in Assumptions	To Be Recognized in Future Pension Expense
Balance at September 30, 2018	$ 19,876	$ 159	$ 2,287	$ (1,979)	$ -
2019	(19,876)	(2,581)	(2,107)	1,864	2,824
2020	-	(2,204)	(180)	115	2,269
2021	-	2,882	-	-	(2,882)
2022	-	1,744	-	-	(1,744)
	$ -	$ -	$ -	$ -	$ 467

Defined Contribution Pension Plan: Eligible employees may participate in a 403(b) defined contribution pension plan (the "Contribution Plan"). The Contribution Plan covers all eligible employees who have attained the age of 18 and have completed 30 days of employment. Employee contributions are matched dollar-for-dollar up to 3% of annual salary. Employees vest 20% per year of employment for employer-matched funds.

Total expense of the Contribution Plan for the year ended September 30, 2018, was approximately $4.5 million and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position. Participants contributed approximately $8.9 million to the Contribution Plan for the year ended September 30, 2018.

Note 10. Other Postemployment Benefits

As a result of the adoption of GASB Statement No. 75, the beginning net position of Halifax Health was restated to retroactively record the total OPEB liability. Statement No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The effect on the beginning net position is as follows (in thousands):

Net position October 1, 2017 as previously reported	$ 312,725
Other postemployment benefit liability	(27,061)
Removal of net other postemployment obligation	9,548
Net position October 1, 2017 as restated	$ 295,212

Note 10. Other Postemployment Benefits (Continued)

Other Postemployment Benefit Plans: Qualified retired employees are eligible for certain postretirement benefit plans other than pensions ("OPEB").

Retiree HRA Plan description: All employees with 10 years of benefited service as a participant in the Halifax Pension Plan or the Florida Retirement System are eligible to receive a subsidy for health insurance premiums ("Retiree HRA Plan"). The Retiree HRA Plan is a multi-employer defined benefit plan. The participant must present, at the time of retirement, evidence of health insurance coverage, either through an insurance company or Medicare. Contributions to the Retiree HRA Plan are calculated based on the number of years of service and is limited to a maximum annual benefit of $1,800 per participant. The Retiree HRA Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Retiree Medical Plan description: Health insurance is also offered as a continuation of retiree group health benefits to certain retirees. All employees with 10 years of benefited service as a participant in the Halifax Pension Plan or with 30 years of benefit service who elect coverage from benefit eligible, active employment are able to participate in the Retiree Medical Plan ("Retiree Medical Plan").

Retirees and spouses on or before October 1, 2017 (Grandfathered): Receive benefit coverage for the life of the retiree, provided the retiree and spouse, if applicable, elect Medicare Parts B and D when first eligible.

Retirees after October 1, 2017 may receive benefit coverage until attainment of age 65. Spouses of retirees after October 1, 2017, may receive benefit coverage until the earlier of attainment of age 65, the date the retiree reaches age 65 or the date the retiree ceases to be covered for any reason. There is no surviving spouse coverage under the plan.

The Retiree Medical Plan is a multi-employer defined benefit plan. Contributions to the Retiree Medical Plan are determined based on the calculated subsidized premium per participant. The Retiree Medical Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Employees Covered by Benefit Terms: At September 30, 2018, the following employees were covered by the benefit terms:

	Retiree HRA Plan	Retiree Medical Plan
Active employees not fully eligible for benefits	861	315
Inactive employees currently receiving benefits	411	80
Active employees fully eligible for benefits	448	133
	1,720	528

Total Retiree Liability: Halifax Health's total Retiree HRA Plan and Retiree Medical Plan's liabilities of $17.8 million and $2.8 million, respectively, were measured as of October 1, 2017, and were determined by an actuarial valuation as of that date.

Note 10. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions: The total Retiree HRA Plan and Retiree Medical Plan's liabilities in the September 30, 2018 actuarial valuation were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions	Retiree HRA Plan	Retiree Medical Plan
Reporting date	September 30, 2018	September 30, 2018
Measurement date	October 1, 2017	October 1, 2017
Actuarial valuation date	October 1, 2017	October 1, 2017
Discount rate	3.50%	3.50%
Rate of compensation increase	3.00%	3.00%
Health care cost trend rates	N/A	**
Inflation rate	2.25%	2.25%
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Straight-Line	Straight-Line
Amortization period	1.825 Years	1.825 Years
Method used to determine actuarial value of assets	N/A	N/A

** 7.25% for healthcare costs, decreasing to an ultimate rate of 3.89% in 2075. 10.50% for prescription drugs, decreasing to an ultimate rate of 3.89% in 2075.

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index.

The actuarial assumptions used in the September 30, 2018 report were based on the results of an actuarial experience study for the period ending October 1, 2017. These actuarial assumptions are based on the presumption that the Retiree HRA Plan and the Retiree Medical Plan will continue. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Changes in the Retiree HRA Plan and the Retiree Medical Plan Liability:

	Retiree HRA Plan	Retiree Medical Plan
	(In Thousands)	
Balance as of October 1, 2017	$ 20,221	$ 6,840
Changes for the year:		
Service cost	173	170
Interest	601	205
Change of benefit terms	(559)	(5,085)
Differences between expected and actual experience	96	1,510
Changes of assumptions or other inputs	(1,949)	(530)
Benefit payments	(750)	(320)
Net changes	(2,388)	(4,050)
Balance as of September 30, 2018	$ 17,833	$ 2,790

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018.

Note 10. Other Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table presents the total Retiree HRA Plan and Retiree Medical Plan OPEB liability of Halifax Health, as well as what the approximate total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.5%) than the current discount rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
		(In Thousands)	
Total Retiree HRA Plan liability	$ 19,945	$ 17,833	$ 16,029
Total Retiree Medical Plan liability	2,904	2,790	2,684

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the year ended September 30, 2018 Halifax Health recognized a Retiree HRA Plan expense credit in the amount of $800,000 and a credit in the Retiree Medical Plan expense of $4.2 million. At September 30, 2018, Halifax reported deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan from the following sources:

	Retiree HRA Plan		Retiree Medical Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
		(In Thousands)		
Differences between expected and actual experience	$ 43	$ -	$ 692	$ -
Changes of assumptions or other inputs	-	(881)	-	(330)
Employer contributions subsequent to the measurement date	804	-	519	-
	$ 847	$ (881)	$ 1,211	$ (330)

Employer contributions subsequent to the measurement date of October 1, 2017 of $804,000 for the Retiree HRA Plan and $519,000 for the Retiree Medical Plan, which are reported as deferred outflows of resources as of September 30, 2018, will be recognized as a reduction of the OPEB liability in Halifax Health's year ending September 30, 2019. Other amounts reported as the deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

	Retiree HRA Plan	Retiree Medical Plan
	(In Thousands)	
Year ending September 30:		
2019	$ (838)	$ 362

Note 11. Commitments and Contingencies

Leases: The Medical Center is committed under various noncancelable operating leases. These expire in various years through 2029. Future minimum operating lease payments are as follows (in thousands):

Years ending September 30,		
2019	$	7,160
2020		6,294
2021		5,165
2022		4,971
2023		3,433
2024 – 2029		7,730
Total minimum lease payments required	$	34,753

Contingencies: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in significant fines and penalties, including repayments for patient services previously reimbursed.

On July 28, 2018, Halifax Health received a Civil Investigatory Demand from the Department of Justice (DOJ). The interrogatories and document request seem to indicate they are investigating a contract Halifax Health had with a previously employed physician. Halifax Health is producing documents to the DOJ in accordance with their request.

Note 12. Concentrations of Credit Risk

The Medical Center and Hospice grant credit without collateral to its patients, most of who are local residents that are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at September 30, 2018, was as follows:

Medicare	15%
Medicaid	17%
Other third-party payors	64%
Self-pay patients	4%
Total	100%

Note 13. Joint Ventures

EVHS has a 50% equity interest in a joint venture to operate East Central Florida Outpatient Imaging, LLC (ECFOI). During the year ended September 30, 2018, EVHS received distributions of $2.9 million from ECFOI and recognized its proportionate share of ECFOI's net income or loss by adjusting its equity interest balance. At September 30, 2018, EVHS had $638,000 recorded as an equity interest in ECFOI that is included in other assets in the accompanying financial statements. ECFOI issues stand-alone financial statements.

EVHS has a 50% equity interest in a joint venture to operate HB Rehabilitative Services, Inc. (HB). During the year ended September 30, 2018, EVHS received distributions of $1.9 million from HB, and at September 30, 2018, EVHS had $4.5 million recorded as an equity interest in HB that is included in other assets in the accompanying financial statements. HB does not issue stand-alone financial statements.

Required Supplementary Information

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability
(In Thousands)

	Total Pension Liability, (a)	Plan Fiduciary Net Pension, (b)	Net Pension Liability, (a) - (b)
Balance, September 30, 2014	$ 311,814	$ 207,198	$ 104,616
Service cost	2,776	-	2,776
Interest	20,547	-	20,547
Difference between expected and actual experience and assumption changes	(2,241)	-	(2,241)
Contributions - employer	-	20,000	(20,000)
Net investment income	-	12,954	(12,954)
Benefit payments	(15,077)	(15,077)	-
Plan administrative expenses	-	(59)	59
Balance, September 30, 2015	317,819	225,016	92,803
Service cost	4,282	-	4,282
Interest	20,943	-	20,943
Difference between expected and actual experience and assumption changes	(4,845)	-	(4,845)
Contributions - employer	-	15,218	(15,218)
Net investment income	-	(9,853)	9,853
Benefit payments	(15,355)	(15,355)	-
Plan administrative expenses	-	(115)	115
Balance, September 30, 2016	322,844	214,911	107,933
Service cost	4,441	-	4,441
Interest	21,234	-	21,234
Difference between expected and actual experience and assumption changes	(2,804)	-	(2,804)
Contributions - employer	-	21,236	(21,236)
Net investment income	-	20,892	(20,892)
Benefit payments	(16,818)	(16,818)	-
Plan administrative expenses	-	(77)	77
Balance, September 30, 2017	328,897	240,144	88,753
Service cost	3,770	-	3,770
Interest	21,776	-	21,776
Difference between expected and actual experience and assumption changes	1,387	-	1,387
Contributions - employer	-	21,060	(21,060)
Net investment income	-	25,668	(25,668)
Benefit payments	(20,439)	(20,439)	-
Plan administrative expenses	-	(74)	74
Balance, September 30, 2018	$ 335,391	$ 266,359	$ 69,032

Source: BPAS Actuarial and Pension Services.

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Medical Center Proportionate Share (a-b) * 94.37%	Hospice Proportionate Share (a-b) * 5.63%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll
October 1, 2016	$ 335,391	$ 266,359	$ 69,032	$ 65,145	$ 3,887	$ 33,515	79%	206%
October 1, 2015	328,897	240,144	88,753	83,756	4,997	38,361	73	231
October 1, 2014	322,844	214,911	107,933	101,856	6,077	42,387	67	255
October 1, 2013	317,819	225,016	92,803	87,578	5,225	43,613	71	213
October 1, 2012	311,814	207,198	104,616	98,726	5,890	46,960	66	223

Source: BPAS Actuarial and Pension Services.

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions
(In Thousands)

Actuarial Valuation Date	Actuarially Determined Contributions (a)	Contributions Recognized During the year (b)	Difference of Actuarially Determined and Recognized Contributions (a-b)	% Contributions Recognized to Contributions Actuarially Determined (b/a)	Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
October 1, 2016	$ 19,876	$ 21,060	$ (1,184)	106%	$ 33,515	63%
October 1, 2015	21,060	21,236	(176)	101	38,361	55
October 1, 2014	21,236	15,218	6,018	72	42,387	36
October 1, 2013	15,218	20,000	(4,782)	131	43,613	46
October 1, 2012	17,278	12,688	4,590	73	46,960	27

Source: BPAS Actuarial and Pension Services.

Note 1. Key Assumptions

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2016
Actuarial cost method	Traditional Unit Credit
Amortization method	10 year, closed
Remaining amortization period	Varies
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	NA
Cost-of-living adjustments	3.00%
Mortality	RP-2014 Mortality Table (sex-distinct), Scale MP2017
Retirement age	62

These actuarial assumptions are based on the presumption that the Plan will continue. Should the Plan terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits. Also, changes in actuarial assumptions and methods may affect the amounts reported and information presented in the required supplemental schedules.

Since the last measurement date, September 30, 2016, the Plan updated its assumptions regarding mortality tables. A recent update to the Florida Statutes requires the use of the same assumption as used by the actuary for the Florida Retirement System Pension Plan. This change in Plan assumption resulted in a decrease in the pension liability of approximately $2.4 million at September 30, 2018.

In accordance with GASB Cod. Sec. Pe5, *Pension Plans – Defined Benefit*, Halifax Health is required to present ten years of data in the required supplemental schedules; however, only five years of information is available since implementing GASB Statement No. 68 at October 1, 2014. Annual Plan information will be added until the required ten years is presented.

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree HRA Plan Liability and Related Ratios
(In Thousands)

		2018
Total Retiree HRA Plan liability		
Service cost	$	173
Interest		601
Changes of benefit terms		(559)
Differences between expected and actual experience		96
Changes of assumptions or other inputs		(1,949)
Benefit payments		(750)
Net change in total Retiree HRA Plan liability		(2,388)
Total Retiree HRA Plan liability—beginning		20,221
Total Retiree HRA Plan liability—ending	$	17,833
Covered-employee payroll	$	33,468
Total Retiree HRA Plan liability as a percentage of covered-employee payroll		53.28%

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, only one year of information is available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree Medical Plan Liability and Related Ratios
(In Thousands)

		2018
Total Retiree Medical Plan liability		
Service cost	$	170
Interest		205
Changes of benefit terms		(5,085)
Differences between expected and actual experience		1,510
Changes of assumptions or other inputs		(530)
Benefit payments		(320)
Net change in total Retiree Medical Plan liability		(4,050)
Total Retiree Medical Plan liability—beginning		6,840
Total Retiree Medical Plan liability—ending	$	2,790
Covered-employee payroll	$	33,468
Total Retiree Medical Plan liability as a percentage of covered-employee payroll		8.34%

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, only one year of information is available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

Other Supplementary Information

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group
September 30, 2018
(In Thousands)

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	41,599
Investments		227,214
Current assets whose use is limited:		
Trustee-held self-insurance funds		500
Accounts receivable, patients, net of estimated uncollectibles of $194,867		71,183
Inventories		11,698
Other current assets		17,358
Total current assets		369,552
Noncurrent Assets Whose Use is Limited:		
Board-designated funded depreciation		42,770
Trustee-held funds		17
Depreciable Capital Assets, net		255,622
Nondepreciable Capital Assets		55,792
Investment in Affiliates		148,646
Other Assets		32,190
Total assets		904,589
Deferred Outflows:		
Interest rate swap		21,010
Pension, contribution after measurement date		19,067
Pension, other		2,347
Deferred outflows related to other postemployment benefits		1,974
Loss on refunding of debt		15,540
Goodwill, net		1,274
Total deferred outflows		61,212
Total assets and deferred outflows	$	965,801

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group (Continued)
September 30, 2018
(In Thousands)

Liabilities, Deferred Inflows and Net Position	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 55,450
Accrued payroll and personal leave time	20,226
Current portion of accrued self-insurance liability	5,013
Current portion of long-term debt	5,520
Other current liabilities	5,721
Total current liabilities	91,930
Noncurrent Liabilities:	
Long-term debt, less current portion	438,237
Net pension liability	66,222
Other postemployment benefits liability	19,784
Accrued self-insurance liability, less current portion	7,958
Other liabilities	12,095
Long-term value of interest rate swap	21,010
Total liabilities	657,236
Deferred Inflows Related to Pension	1,898
Deferred Inflows Related to Other Post Employment Benefits	1,162
Total liabilities and deferred inflows	660,296
Net Position:	
Net investment in capital assets	3,104
Unrestricted	302,401
Total net position	305,505
Total liabilities, deferred inflows and net position	$ 965,801

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Revenues, Expenses and Changes in Net Position—Obligated Group
Year Ended September 30, 2018
(In Thousands)

Operating Revenues:	
Net patient service revenue, before provision for bad debts	$ 559,600
Provision for bad debts	(86,263)
Net patient service revenue	473,337
Ad valorem taxes	6,048
Other revenue	20,620
Total operating revenues	500,005
Operating Expenses:	
Salaries and benefits	244,419
Supplies	100,030
Purchased services	71,684
Depreciation and amortization	24,588
Ad valorem tax-related expenses	6,570
Leases and rentals	7,625
Other	26,054
Total operating expenses	480,970
Income from operations	19,035
Nonoperating Revenues (Expenses):	
Interest expense	(17,274)
Bond issue cost	(354)
Investment income—net	2,914
Donation revenue	117
Nonoperating gains (losses)—net	1,290
Income from affiliates	11,471
Total nonoperating expenses	(1,836)
Increase in net position	17,199
Net Position:	
Beginning net position, as restated	288,306
End of year	$ 305,505

Note 1. Summary of Significant Accounting Policies

Obligated Group: The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group financial information, including EVHS, Staffing, HHCSI and PBFS. In addition, Hospice, VHN, Foundation and HMS are accounted for under the equity method in the Obligated Group financial information. The Medical Center has an equity interest in these entities, which are expected to produce income, appreciation in value, or other economic benefit. The net investment in capital assets and unrestricted components of the net position of the affiliates are included in equity interest in affiliates on the schedule of net position and income from affiliates is separately disclosed on the schedule of revenues, expenses, and changes in net position. In accordance with the MTI, the Obligated Group does not have ownership rights to the affiliates' restricted component of net position; therefore, they are excluded from the equity interest in affiliates.

The affiliates are not members of the Obligated Group and are not required to pay operating expenses or debt service of the Obligated Group. Except as may be requested by the Medical Center of Hospice, subject to certain limitations, to avoid or remedy a payment or covenant default, affiliates are not required to make any payments with respect to the outstanding indebtedness of the Medical Center or the Obligated Group.