Halifax Hospital Medical Center
d/b/a Halifax Health

Financial Report
September 30, 2021

Contents

Independent Auditor's Report

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, 2021, 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 an opinion 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, 2021, as presented on pages 18–19, 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 the entity'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 the entity'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 opinion.

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, 2021, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3–12 and the required supplementary information on pages 54–60 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 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 61–64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Obligated Group financial 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. Such 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, 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 21, 2022

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, 2021. This analysis should be read in conjunction with the accompanying basic financial statements.

The Medical Center was originally created in 1925 under the name Halifax Hospital District by Chapter 112.72, Laws of Florida, 1925, as amended ("Enabling Act"). 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 Enabling 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 health care facilities and services for the preservation of the public health, for the public good, and for the use of the public; to enter into contracts; to borrow money; to establish for-profit and not-for-profit corporations; to acquire, purchase, hold, lease, and convey real and personal property; and of eminent domain.

After an amendment in 2019, the Enabling Act further authorizes the Medical Center to establish, own, construct, equip, operate, manage, and maintain hospitals and facilities and provide services within and beyond the boundaries of the geographic taxing district in the counties of Brevard, Flagler, Lake, and Volusia, as well as allow the continuance of hospice care services throughout the State of Florida. This is as long as proceeds from ad valorem taxes and non-ad valorem special assessments outside the boundaries of the taxing district are not used.

The Medical Center owns and operates three inpatient hospital facilities with a combined 673 beds under one license from the Agency for Health Care Administration ("AHCA"). The main campus of the Medical Center, located in Daytona Beach, includes a Level III 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. In addition to its inpatient facilities, the Medical Center owns and operates outpatient centers in Daytona Beach, Port Orange, Ormond Beach, Palm Coast, New Smyrna Beach, and Deland.

Further, the Medical Center of Deltona ("MCD") was established and opened in February 2020. MCD is a 43-bed hospital, separately licensed by AHCA, that provides the Deltona community with a hospital and high-quality medical care. In addition, MCD also owns and operates the outpatient centers located in Deltona.

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
Medical Center of Deltona	43
HBS campus	30
Total	716

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 that were established to provide administrative and other services for and on behalf of the Medical Center. 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")
- Medical Center of Deltona, Inc. ("MCD")
- 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 Health Retiree HRA and for the Halifax Retiree Medical 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)

	September 30, 2021	September 30, 2020
Current assets	**$ 620,213**	$ 621,461
Assets whose use is limited, noncurrent	**35,195**	38,880
Capital assets, net	**409,314**	419,822
Other noncurrent assets and deferred outflows	**225,389**	234,803
Total assets and deferred outflows	**$ 1,290,111**	$ 1,314,966
Current liabilities	**$ 121,081**	$ 147,513
Long-term debt and premium on long-term debt, net	**452,452**	461,337
Noncurrent liabilities and deferred inflows	**287,978**	356,738
Total liabilities	**861,511**	965,588
Net investment in capital assets	**(3,453)**	3,198
Restricted net position	**5,671**	5,671
Unrestricted net position	**426,382**	340,509
Total net position	**428,600**	349,378
Total liabilities and net position	**$ 1,290,111**	$ 1,314,966

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)

	2021	2020
Operating revenue	**$ 688,620**	$ 565,013
Operating expenses	**(645,924)**	(570,017)
(Loss) income from operations	**42,696**	(5,004)
Nonoperating revenues, net	**36,446**	21,534
Increase in net position	**$ 79,142**	$ 16,530

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

COVID-19 Pandemic

The Medical Center's operations and financial condition have been significantly impacted by the emergence of a novel coronavirus ("COVID-19") which has evolved into a global pandemic. On March 13, 2020, President Trump declared a national emergency in response to the COVID-19 pandemic. Shortly thereafter, President Trump and the Centers for Medicare and Medicaid Services ("CMS") recommended health care providers limit all "non-essential" elective medical and surgical procedures. On March 20, 2020, Florida Governor DeSantis issued Executive Order 20-72, which prohibited "any medically unnecessary, non-urgent or non-emergency procedure or surgery which, if delayed, does not place a patient's immediate health, safety, or well being at risk". The Medical Center immediately complied with Executive Order 20-72 by canceling all elective procedures and began preparing for an anticipated surge in COVID-19 patients.

The financial impact of the COVID-19 pandemic has been driven by lost revenue, due to sharp declines in patient volume resulting from Executive Order 20-72, and increased expenses due to an increased need for personal protective equipment for caregivers and visitors, and materials and staffing necessary for COVID-19 testing (i.e. swabs, collection kits, reagents, etc.). Management estimates that the cumulative effect of the COVID-19 pandemic has resulted in a loss of net patient service revenue of $12 million and $22 million and increases in operating expenses of $33 million and $8 million for fiscal years 2021 and 2020, respectively.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES") was signed into law on March 27, 2020, to address the impact of COVID-19. As part of the CARES Act, the U.S. Department of Health and Human Services ("HHS") Provider Relief Fund distributed funds to health care providers to help cover costs and other financial impacts related to COVID-19. In April 2020, HHS made general distributions totaling $50 billion (in two tranches of $30 billion and $20 billion) to all health care providers in proportion to providers' share of 2019 net patient service revenue. In April 2020, HHS made various "targeted" distributions from Provider Relief Funds directing funding to COVID-19 high impact areas, to rural providers, and to reimburse providers for COVID-19-related treatment of uninsured patients. The Medical Center received distributions of $13.5 million as part of the general distribution from Provider Relief Funds, and $45 million from the targeted funds. For the years ended September 30, 2021 and 2020, $32.8 million and $26.5 million of CARES Act funding is recorded as nonoperating revenue in its statement of revenue, expenses and changes in net position, respectively.

The CARES Act also expanded the Medicare Accelerated and Advance Payment Program as a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic. Acute care hospitals may request accelerated payments of up to 100% of their total Medicare payment amount for a six-month period based on the last six months of 2019. Such accelerated payments are interest free for 12 months, and the program currently requires CMS to recoup the payments beginning one year after receipt for most providers, by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. In April 2020, the Medical Center received Medicare advances totaling $48 million as part of the expanded Accelerated and Advance Payment Program under the CARES Act. These advances were returned to CMS in February 2021.

Total assets and deferred outflows of Halifax Health decreased $24.9 million from September 30, 2020. Current assets of Halifax Health decreased $1.2 million from fiscal year 2020 primarily as a result of a decrease in cash and cash equivalents of $56.6 million primarily due to the repayment of the Medicare prepayment, this is partially offset by the increase in investments of $30.8 million and accounts receivable of $14.3 million. Capital assets, net of accumulated depreciation decreased $10.5 million from 2020 primarily as a result of depreciation expense of $29.5 million, decreased capital spending and disposals of certain equipment. Other noncurrent assets and deferred outflows decreased $9.4 million from 2020 primarily due to the decrease in the fair value of the interest rate swap of $11.5 million, increases in deferred outflows related to the pension plan of $1.0 million, increases of other assets of $3.7 million, and the decrease of the investment in securities loan agreement of $1.7 million.

Total liabilities and deferred inflows of Halifax Health decreased $104.1 million from September 30, 2020. The fair value of the interest rate swap liability increased by $11.5 million. Current liabilities decreased $26.4 million from fiscal year 2020 primarily as a result of a decrease in current liability from the CARES Act of $32.1 million due to recognizing as revenue and an increase of $3.2 million in accrued liabilities and $1.2 million accrued payroll.

Long-term debt, excluding current portion due, decreased approximately $8.2 million from September 30, 2020 primarily as a result of the principal payments. As of September 30, 2021, the Medical Center's outstanding bonds (Series 2008, Series 2015, and Series 2016) 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 $68.8 million from fiscal year 2020 is primarily due to the decrease in long-term value of interest rate swap of $11.5 million, decrease in other liabilities of $48.0 million due to the repayment of Medicare advanced payments, and decrease in the net pension liability of $7.0 million, and other liabilities of $1.3 million.

The net position of Halifax Health at September 30, 2021, was $428.6 million, an increase of $79.1 million from September 30, 2020.

Operating Revenues

The increase in operating revenues of $123.6 million over 2020 at Halifax Health is primarily the result of increases in admissions and outpatient services of the Medical Center and MCD. 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, 2021 and 2020 are as follows:

Halifax Health Utilization Statistics

	2021	2020
Medical Center Activity:		
Admissions	**24,868**	24,195
Patient days	**146,357**	134,748
Average daily census	**402**	369
Total outpatient visits	**287,104**	277,084
Observation patient day equivalents	**13,075**	9,872
Medical Center of Deltona Activity:		
Admissions	**1,411**	509
Patient days	**6,896**	2,285
Average daily census	**19**	6
Total outpatient visits	**17,037**	14,778
Observation patient day equivalents	**1,541**	539
Hospice Activity:		
Hospice patient days	**210,833**	208,651

Halifax Health's inpatient admissions for 2021 increased by 1,575 admissions compared to 2020, and patient days for 2021 increased by 16,220 (11.8%) compared to 2020. The increase in patient days led to an increase in the average daily census by 46 patients per day from the prior year. Outpatient visits for 2021 increased by 12,279 compared to 2020.

Operating Expenses

Total operating expenses of Halifax Health increased by $75.9 million in fiscal year 2021 compared to fiscal year 2020 primarily due to an increase in salaries and benefits of $23.0 million, an increase in supplies of $20.8 million, and an increase in purchased services of $30.4 million. COVID-19 pandemic related expenses are included in these increases.

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, South Daytona 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 2021 to 2020.

Nonoperating Revenues, Expenses, Gains and Losses

Investment income increased $8.5 million in fiscal year 2021 compared to fiscal year 2020 as a result of an increase in interest rates and the improved performance of the equity markets. Investment income for the year ended September 30, 2021 includes an increase in unrealized gains and losses, net of approximately $19.3 million.

KEY FINANCIAL INDICATORS

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

Key Financial Indicators

	2021	2020
Total margin	**10.6%**	2.9%
Days cash on hand	**304**	316
Unrestricted cash to long-term debt	**116.1%**	103.4%
Long-term debt to capitalization	**51.8%**	57.3%
Total net patient service revenue, before provision for bad debts (in millions)	**$ 743.0**	$ 596.4

The total margin increased to 10.6% in fiscal year 2021 due to the increase in operating revenues of Halifax Health, partially offset by increases in operating and nonoperating expenses compared to fiscal year 2020. The number of days cash on hand, which includes unrestricted cash, investments and board designated assets whose use is limited, decreased from 316 days at September 30, 2020, to 304 days at September 30, 2021, due primarily to repayment of the funds received for the Medicare advanced payments.

Total net patient service revenue, before provision for bad debts, increased $146.6 million from 2020 as a result of volumes in the emergency department, admissions, surgical services and outpatient physician practices.

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 $53.8 million in community benefits during fiscal year 2021, which is comprised of amounts paid for community health and wellness services and the cost of uncompensated care, calculated by the cost-to-charge ratio to the total amount of uncompensated care deductions from gross revenue.

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

SCHEDULE OF USES OF PROPERTY TAXES
(in thousands)

	2021	2020
Gross property tax levy	**$ 19,658**	$ 6,589
Tax discounts and uncollectible taxes	**(631)**	(203)
Net property taxes collected	**19,027**	6,386
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	**(656)**	(220)
Volusia County Medicaid matching assessment	**(3,332)**	(3,272)
Redevelopment taxes paid to Cities	**(872)**	(343)
Subtotal	**(4,860)**	(3,835)
Net taxes available for community health, wellness and readiness	**14,167**	2,551
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	**(369)**	(515)
Physician services	**(8,849)**	(8,477)
Trauma services	**(6,138)**	(6,009)
Pediatric and neonatal intensive care services	**(957)**	(400)
Child and adolescent behavioral services	**(999)**	(1,980)
Subtotal	**(17,312)**	(17,381)
Deficiency of net taxes available to fund hospital operating expenses	**(3,145)**	(14,830)
Uncompensated care provided by Halifax Health, *at cost*		
Halifax Health patients at facilities within the Halifax Health tax district	**(32,617)**	(33,021)
Non Halifax Health taxing district patients and other write-offs	**(18,015)**	(23,072)
Subtotal	**(50,632)**	(56,093)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, *at cost*	**$ (53,777)**	$ (70,923)

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, health care 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 COVID-19 pandemic has made attracting and retaining clinical staff more difficult and has caused health care providers including Halifax Health to utilize contracted clinical services, resulting in increased costs.

- 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.

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

    - Federal legislative efforts, both directly and via tax reform, could significantly reduce access to individual insurance coverage currently provided under Federal programs.

    - The State of Florida Low Income Pool ("LIP") Program has been extended to June 30, 2030. 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.

    - Medicaid special payment programs that began during fiscal year 2021, Hospital Directed Payment Program and Physician Directed Payment Program, designed to offset (but not eliminate) Medicaid costs in excess of Medicaid payments, could result in DSH and LIP cost limits to be exceeded and amounts being paid back in the future.

    - The Federal Affordable Care Act ("ACA") enacted in March 2010, includes reduction in Medicaid disproportionate share funding of $4 billion in 2020 (which was delayed due to the COVID-19 pandemic) and $8 billion each year from 2021 to 2025, which could reduce payments to Halifax Health unless the cuts are further delayed by Congress. In addition, the "Build Back Better Act," adopted by the House of Representatives in November 2021 with support of President Biden, includes provisions that could further reduce Medicaid disproportionate share funding.

- In November 2021, the Centers for Medicare and Medicaid Services ("CMS") issued a rule requiring staff working in Medicare or Medicaid certified providers to have the shots necessary to be fully vaccinated against COVID-19 by January 2, 2022, and to receive their first shot prior to December 6, 2021. The rule allows for medical and religious exemptions and requires that providers have policies and procedures to operationalize these requirements. On November 29 and November 30, 2021, the United States District Court for the Eastern District of Missouri and United States District Court for the Western District of Louisiana issued preliminary injunctions against the implementation and enforcement of the rule. CMS has appealed both of these decisions, and has filed motions for stays of these orders. As a result of these decisions, CMS has suspended activities related to the implementation and enforcement of the rule. Implementation of the rule could adversely impact the availability and salaries and wages of health care workers, and the cost of services provided.

- CARES Act Provider Relief Funds received are subject to audit and certain amounts could be at risk of being paid back in the future.

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

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 2022 Halifax Health operating budget.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position
September 30, 2021
(In Thousands)

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	178,669
Investments		326,852
Current assets whose use is limited—Trustee-held self-insurance funds		333
Accounts receivable, patients, net of estimated uncollectibles of $93,134		70,368
Inventories		16,476
Other current assets		27,515
Total current assets		620,213
Noncurrent Assets Whose Use is Limited:		
Board-designated, funded depreciation		26,608
Trustee held funds		266
Restricted by donor		5,671
Board-designated, other		2,650
Investment in securities loan agreement		121,325
Depreciable capital assets, net		347,825
Nondepreciable capital assets		61,489
Other assets		9,779
Total assets		1,195,826
Deferred Outflows:		
Interest rate swap		34,006
Pension, contribution after measurement		25,947
Pension, other		20,184
Deferred outflows related to other postemployment benefits		1,232
Loss on refunding of debt, net		12,916
Total deferred outflows		94,285
Total assets and deferred outflows	$	1,290,111

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position (Continued)
September 30, 2021
(In Thousands)

Liabilities and Net Position	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 72,598
Accrued payroll and personal leave time	26,985
Current portion of accrued self-insurance liability	5,265
Current portion of long-term debt	8,215
Interest payable on long-term debt	5,692
Other current liabilities	2,326
Total current liabilities	121,081
Noncurrent Liabilities:	
Long-term debt, less current portion	435,870
Premium on long-term debt, net	16,582
Net pension liability	78,191
Other postemployment benefits liability	21,867
Accrued self-insurance liability, less current portion	11,685
Other liabilities	20,783
Securities loan agreement obligation	121,325
Long-term value of interest rate swap	34,006
Total liabilities	861,390
Deferred inflows related to other post employment benefits	121
Total liabilities and deferred inflows	861,511
Net Position:	
Net investment in capital assets	(3,453)
Restricted by donors, expendable	5,427
Restricted by donors, nonexpendable	244
Unrestricted	426,382
Total net position	428,600
Total liabilities and net position	$ 1,290,111

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, 2021
(In Thousands)

Operating Revenues:	
Net patient service revenue,	
before provision for bad debts	$ 742,995
Provision for bad debts	(109,357)
Net patient service revenue	633,638
Ad valorem tax revenue	19,658
Other revenue	35,324
Total operating revenues	688,620
Operating Expenses:	
Salaries and benefits	313,823
Supplies	129,239
Purchased services	128,388
Depreciation and amortization	29,539
Ad valorem tax-related expenses	7,646
Leases and rentals	7,438
Other	29,851
Total operating expenses	645,924
Income from operations	42,696
Nonoperating Revenues (Expenses):	
Interest expense	(21,469)
Investment income—SLA	5,438
Investment income—net	14,818
Donation revenue	512
CARES Act revenue	32,759
Nonoperating gains—net	4,388
Total nonoperating revenues	36,446
Increase in net position	79,142
Net Position:	
Beginning net position	349,378
Contributions from joint venture partner	80
End of year	$ 428,600

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows
Year Ended September 30, 2021
(In Thousands)

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	$ 619,316
Payments to employees	(318,929)
Payments to suppliers	(260,134)
Other receipts	31,307
Other payments	(88,397)
Net cash used in operating activities	(16,837)
Cash Flows from Noncapital Financing Activities:	
Proceeds from donations received	512
Receipt of CARES Act funding	705
Other nonoperating gains	4,388
Net cash provided by noncapital financing activities	5,605
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(16,761)
Principal paid on long-term debt	(7,820)
Change in trustee held funds	3,649
Payment of interest on long-term debt	(21,597)
Net cash used in capital and related financing activities	(42,529)
Cash Flows from Investing Activities:	
Realized investment income	3,490
Investment income—SLA	5,442
Purchase of investments and assets whose use is limited	(51,792)
Proceeds from sales and maturities of investments and assets whose use is limited	40,063
Net cash used in investing activities	(2,797)
Net decrease in cash and cash equivalents	(56,558)
Cash and Cash Equivalents:	
Beginning of year	235,227
End of year	$ 178,669

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows (Continued)
Year Ended September 30, 2021
(In Thousands)

Reconciliation of Income from Operations to Net Cash		
Used in Operating Activities:		
Income from operations	$	42,696
Adjustments to reconcile income from operations to net cash		
used in operating activities:		
Depreciation and amortization expense		29,539
Change in unrealized gains and losses on investments considered operating activity		(7,601)
Provision for bad debts		109,357
Changes in assets and liabilities:		
Accounts receivable, patients		(123,679)
Inventories and other current assets		(10,298)
Other assets		(3,846)
Accounts payable and accrued liabilities		2,252
Other liabilities		(55,257)
Net cash used in operating activities	$	(16,837)
Noncash Investing and Financing Activities:		
Unrealized gains on investments and assets whose use is limited	$	11,324
Acquisition of capital assets included in accounts payable and accrued liabilities	$	2,190

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Fiduciary Net Position
September 30, 2021
(In Thousands)

Assets:		
Investments, at fair value:		
Money market funds	$	922
Mutual funds		265,009
Pooled, common and collective funds		82,111
Net position restricted for pension benefits	$	348,042

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, 2021
(In Thousands)

Additions:		
Investment results:		
Appreciation in fair value of investments	$	53,330
Interest and dividends		4,144
Net investment results		57,474
Employer contributions		25,947
Total additions		83,421
Deductions:		
Administrative expenses		39
Benefits paid directly to participants		23,505
Total deductions		23,544
Increase in net position restricted for pension benefits		59,877
Net Position Restricted for Pension Benefits:		
Beginning of year		288,165
End of year	$	348,042

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 III 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"); Medical Center of Deltona ("MCD") and Volusia Health Ventures, Inc. d/b/a Volusia Health Network ("VHN") are legally separate organizations which 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.

MCD is a not-for-profit corporation, incorporated in the state of Florida, operating an accredited, 43-bed acute care hospital located in the City of Deltona, Florida.

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 three ambulatory facilities and one hospital facility and to MCD one medical office building. Facilities located in Ormond Beach, Deltona 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.

Note 1. Description of the Organization (Continued)

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

Condensed Combining Statement of Net Position
September 30, 2021
(In Thousands)

		Blended Component Units											
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	MCD	HMS	Intercompany Eliminations	Halifax Health
Assets and Deferred Outflows													
Current Assets	$ 223,049	$ 184,335	$ -	$ -	$ 212	$ 16,613	$ 108,659	$ 46	$ 53,676	$ 24,613	$ 10,598	$ (1,588)	$ 620,213
Noncurrent Assets Whose Use is Limited	26,608	-	-	-	-	-	2,650	-	5,671	266	-	-	35,195
Capital Assets, net	257,241	11,907	-	-	49	-	16,172	2	-	110,828	13,115	-	409,314
Other Assets and Deferred Outflows	90,649	1,350	-	-	-	8,061	7,382	-	-	121,457	111	(3,621)	225,389
Total assets and deferred outflows	$ 597,547	$ 197,592	$ -	$ -	$ 261	$ 24,674	$ 134,863	$ 48	$ 59,347	$ 257,164	$ 23,824	$ (5,209)	$ 1,290,111
Liabilities and Net Position													
Current Liabilities	$ 104,390	$ 8	$ -	$ -	$ 4,065	$ 395	$ 2,892	$ 683	$ 40	$ 9,263	$ 933	$ (1,588)	$ 121,081
Long-Term Debt, less current portion	316,370	-	-	-	-	-	-	-	-	119,500	-	-	435,870
Other Liabilities and Deferred Inflows	164,937	-	-	-	-	-	7,895	-	2,024	133,325	-	(3,621)	304,560
Total liabilities and deferred inflows	585,697	8	-	-	4,065	395	10,787	683	2,064	262,088	933	(5,209)	861,511
Net Position:													
Net investment in capital assets	(34,468)	11,907	-	-	49	-	16,172	2	-	(10,230)	13,115	-	(3,453)
Restricted by donors, expendable	-	-	-	-	-	-	-	-	5,427	-	-	-	5,427
Restricted by donors, nonexpendable	-	-	-	-	-	-	-	-	244	-	-	-	244
Unrestricted	46,318	185,677	-	-	(3,853)	24,279	107,904	(637)	51,612	5,306	9,776	-	426,382
Total net position	11,850	197,584	-	-	(3,804)	24,279	124,076	(635)	57,283	(4,924)	22,891	-	428,600
Total liabilities and net position	$ 597,547	$ 197,592	$ -	$ -	$ 261	$ 24,674	$ 134,863	$ 48	$ 59,347	$ 257,164	$ 23,824	$ (5,209)	$ 1,290,111

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2021
(In Thousands)

		Blended Component Units											
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	MCD	HMS	Intercompany Eliminations	Halifax Health
Operating revenues	$ 576,524	$ 1,805	$ -	$ -	$ 3,209	$ 8,398	$ 47,563	$ 1,054	$ 12,526	$ 37,033	$ 4,436	$ (3,928)	$ 688,620
Operating expenses, before depreciation and amortization	248,634	271	250,792	23,734	3,948	3,469	45,310	1,039	921	40,486	1,709	(3,928)	616,385
Depreciation and amortization	21,149	674	-	-	49	1	751	-	-	6,116	799	-	29,539
Total operating expenses	269,783	945	250,792	23,734	3,997	3,470	46,061	1,039	921	46,602	2,508	(3,928)	645,924
Income (loss) from operations	306,741	860	(250,792)	(23,734)	(788)	4,928	1,502	15	11,605	(9,569)	1,928	-	42,696
Nonoperating revenues (expenses)	(263,660)	618	250,792	23,734	-	1,322	16,491	-	-	7,149	-	-	36,446
Increase (decrease) in net position	$ 43,081	$ 1,478	$ -	$ -	$ (788)	$ 6,250	$ 17,993	$ 15	$ 11,605	$ (2,420)	$ 1,928	$ -	$ 79,142

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Cash Flows
Year Ended September 30, 2021
(In Thousands)

		Blended Component Units											
Net cash provided by (used in):	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	MCD	HMS	Intercompany Eliminations	Halifax Health
Operating Activities	$ 251,494	$ 4,960	$ (250,792)	$ (23,734)	$ -	$ 452	$ 3,749	$ -	$ 4,056	$ (7,131)	$ 109	$ -	$ (16,837)
Noncapital Financing Activities	(279,014)	-	250,792	23,734	-	1,322	673	-	-	8,098	-	-	5,605
Capital and Related Financing Activities	(36,171)	(576)	-	-	-	(11)	(200)	-	-	(5,571)	-	-	(42,529)
Investing Activities	(78)	(242)	-	-	-	-	(4,250)	-	(3,670)	5,443	-	-	(2,797)
Net increase (decrease) in cash and cash equivalents	(63,769)	4,142	-	-	-	1,763	(28)	-	386	839	109	-	(56,558)
Cash and Cash Equivalents:													
Beginning of year	175,874	11,320	-	-	-	14,178	8,071	-	1,636	13,659	10,489	-	235,227
End of year	$ 112,105	$ 15,462	$ -	$ -	$ -	$ 15,941	$ 8,043	$ -	$ 2,022	$ 14,498	$ 10,598	$ -	$ 178,669

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 changes in unrealized investment gains and losses are recorded as nonoperating revenue in the statement of revenues, expenses, and changes in net position, with the exception of the Foundation. Interest and dividends, when earned, and realized and changes in unrealized investment gains and losses of the Foundation are recorded as operating revenue in the accompanying statement of revenues, expenses, and changes in net position.

Master Securities Loan Agreement: Halifax Health lends securities to other entities (borrowers) for collateral that will be returned for the same securities in the future under Master Securities Loan Agreements ("MSLA"). MCD entered into an MSLA with JP Morgan Chase Bank, N.A. ("JPMC"). The securities are recorded as a noncurrent asset and a noncurrent liability in the statement of 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, 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)

Trustee Held Funds: Assets that are held in trust are the proceeds of the 2019 Revenue Bonds (Medical Center of Deltona Project). The funds are held by U.S. Bank and are designated for the acquisition, construction and equipping of the 43-bed hospital. The assets are reported at fair value in the accompanying statement of net position.

Capital Assets: Purchases of real property and equipment of $5,000 or greater 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 $5,000 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 of $5,000 or greater and a useful life of longer than one year.

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 Issuance Costs and Unamortized Bond Premium (Discount): Debt issuance costs are expensed as incurred. Unamortized bond premiums and discounts are amortized over the period the related obligation is outstanding. The amortization of bond premiums and discounts are 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 on the accompanying statement of net position, and the fair value of the Swap is reported in noncurrent liabilities. See Note 9 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, 2021, 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 10 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 2% interest rate for 2021. 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, 2021.

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.

Note 2. Significant Accounting Policies (Continued)

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. Investment income of the Foundation is recorded as operating revenue in the accompanying statement of revenues, expenses and changes in net position.

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 $18.4 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.

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

Net Patient Service Revenue: The Medical Center, MCD, Hospice and DASS 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 $14.9 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 60% of net patient service revenue for the year ended September 30, 2021. 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. There were no significant adjustments to revenue related to prior periods during the year ended September 30, 2021.

Note 2. Significant Accounting Policies (Continued)

The Medical Center, MCD 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 and MCD utilize 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 and has been applied to current MCD practices. 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 $39.9 million for the year ended September 30, 2021. 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 and MCD.

Net patient service revenue is reported net of charity adjustments, contractual adjustments, and provision for bad debts for the year ended September 30, 2021, as follows (in thousands):

Gross patient charges	$ 2,494,160
Charity adjustments	(151,752)
Contractual adjustments	(1,599,413)
Net patient service revenue before provision for bad debts	742,995
Provision for bad debts	(109,357)
Net patient service revenue	$ 633,638

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 June 15, 2021. Halifax Health is evaluating the impact of this Statement on its financial statements and expects to record assets and liabilities for its operating leases.

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. The standard is effective for fiscal years beginning after December 15, 2020. Halifax Health is evaluating the impact of this Statement on its financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement requires that issuers disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Recognized liabilities related to supporting the debt service of conduit debt obligations should be disclosed by recognized amount and changes during the reporting period. The standard is effective for fiscal years beginning after December 15, 2021. Halifax is evaluating the impact of this Statement on its financial statements.

Note 2. Significant Accounting Policies (Continued)

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The removal of the London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements are effective for reporting periods beginning after June 15, 2020, except for the requirements related to lease modifications, which are effective for reporting periods beginning after June 15, 2021.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* This Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The guidance postponed GASB 87 by 18 months and GASB 89 by one year. The effective dates for the pending standards above have been updated accordingly.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32.* This Statement requires that a Section 457 plan can be classified as either a pension plan or as an other employee benefit plan dependent upon whether the plan meets the definition of a pension plan and whether those arrangements should be reported as fiduciary activities. This standard is effective for fiscal years beginning after June 15, 2021. Halifax 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.

Halifax Health measures and records its pooled investments using the net asset value (“NAV”) per share or its equivalent guidelines established by GASB Statement No. 72.

Parametric Portfolio Associates LLC (“Parametric”) is managed through a management agreement. Participants share in the investment income, expenses, gains and losses of each Pooled Investment Fund based on their proportionate share as determined by units. The fair value of the position in the pool is the same as the value of the pool shares.

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

The Clarion Lion Properties Fund's ("Clarion") investment philosophy seeks to take advantage of changing conditions within the U.S. property and capital markets by periodically shifting allocations among property types and locations, while remaining focused on the management of a core equity real estate portfolio.

The Pooled Investment Funds are not registered with the Securities and Exchange Commission as an investment company. Halifax can redeem up to 100% of its investment in any Pooled Investment Fund monthly with five-business days notice. As of September 30, 2021, Halifax Health has no unfunded commitments.

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, 2021, is set forth in the following table:

Direct Investments (Fair Value)

		Assets Whose Use is Limited and Restricted Assets					
	Investments	**Trustee-Held Self-Insurance Funds**	**Trustee-Held Funds for Capital Projects**	**Board-Designated Funded Depreciation**	**Restricted by Donor**	**Board Designated Other**	**Total**
				(In Thousands)			
Level 1							
Money market funds	$ 10,415	$ 333	$ -	$ 136	$ -	$ -	$ 10,884
Mutual funds:							
Chartwell Short Duration High Yield	7,047	-	-	-	-	-	7,047
Lord Abbett Core Fixed Income Fund	10,018	-	-	-	-	-	10,018
Lord Abbett Short Duration Income Fund	30,344	-	-	-	-	-	30,344
DFA Emerging Markets Core Equity Portfolio	5,667	-	-	-	399	95	6,161
DFA International Large Cap Portfolio	11,476	-	-	-	887	279	12,642
DFA Small Cap Value Portfolio	2,968	-	-	-	1,856	430	5,254
DFA U.S. Large Cap Value Portfolio	3,471	-	-	-	2,284	868	6,623
Vanguard Global Min Vol Admiral Fund	14,822	-	-	-	-	-	14,822
Vanguard Growth Index Fund	5,211	-	-	-	-	60	5,271
Vanguard Total Stock Market Index Fund	28,351	-	-	-	-	-	28,351
Vanguard Short-Term Investment Grade Inst Fund	32,403	-	-	-	-	918	33,321
Vanguard Small Cap Growth Index Fund	3,831	-	-	-	-	-	3,831
U.S. Treasury obligations	42,973	-	-	14,102	-	-	57,075
Total Level 1	208,997	333	-	14,238	5,426	2,650	231,644
Level 2							
U.S. Government-sponsored enterprises:							
Federal National Mortgage Association	3,500	-	-	6,667	-	-	10,167
Federal Home Loan Bank	18,794	-	266	4,720	-	-	23,780
Federal Home Loan Mortgage Corporation	4,463	-	-	983	-	-	5,446
Corporate bonds	71,682	-	-	-	-	-	71,682
Other	507	-	-	-	245	-	752
Total Level 2	98,946	-	266	12,370	245	-	111,827
Total Direct Investments	$ 307,943	$ 333	$ 266	$ 26,608	$ 5,671	$ 2,650	$ 343,471

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

Pooled Investments (Net Asset Value)

		Assets Whose Use is Limited and Restricted Assets					
	Investments	**Trustee-Held Self-Insurance Funds**	**Trustee-Held Funds for Capital Projects**	**Board-Designated Funded Depreciation**	**Restricted by Donor**	**Board Designated Other**	**Total**
				(In Thousands)			
Pooled, Common and Collective Fund:							
Parametric Defensive Equity Fund LLC	$ 16,131	$ -	$ -	$ -	$ -	$ -	$ 16,131
Clarion Lion Properties Fund	2,778	-	-	-	-	-	2,778
Total Pooled Investments	18,909	-	-	-	-	-	18,909
Total Direct and Pooled Investments	$ 326,852	$ 333	$ 266	$ 26,608	$ 5,671	$ 2,650	$ 362,380

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

The composition of investments in the Halifax Pension Plan at September 30, 2021, is set forth in the following table (in thousands):

Money market funds	$	922
Pooled, Common and Collective Fund:		
Parametric Defensive Equity Fund LLC		37,139
Clarion Lion Properties Fund		17,683
Mutual funds:		
Chartwell Short Duration High Yield		12,376
Lord Abbett Short Duration Credit Trust II Fee Class MQ		52,477
Lord Abbett Core Fixed Income Trust II Fee Class MQ		17,258
DFA Emerging Markets Core Portfolio		15,720
DFA Large Cap International Portfolio		35,123
DFA U.S. Large Cap Value Portfolio		15,413
DFA U.S. Small Cap Value Portfolio		13,101
Vanguard Global Minimum Volatility Shares		36,702
Vanguard Growth Index Fund		12,727
Vanguard Total Stock Market Index Fund		54,097
Vanguard Short-Term Investment Grade Inst Fund		18,453
Vanguard Small Cap Growth Index Fund		8,851
Total	$	348,042

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

The Medical Center invests in money market, mutual funds and commingled investment vehicles whose underlying holdings qualify as fixed-income, equity or option securities in accordance with its investment policy described in Note 4.

At September 30, 2021, the Medical Center was invested in two money market funds, Wells Fargo Advantage Government Fund and Goldman Sachs Treasury Obligation Fund, and the following bond mutual funds:

- **Vanguard Short-Term Investment Grade (VFSIX)** actively invests its portfolio in short and intermediate-term investment grade bonds. The fund had an average duration of 2.8 years as of September 30, 2021.
- **Chartwell Short Duration High Yield Fund (CWFIX)** actively invests in higher quality, short-term high yield corporate debt securities. The fund had an average duration of 2.4 years on September 30, 2021.

At September 30, 2021, 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.

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

Halifax holds the following Pooled Investment Funds:

- **Parametric Defensive Equity Fund LLC** is a commingled investment vehicle that provides income through selling call and put options on the S&P 500 while overlaying with positions in the S&P 500 and in short-term U.S. treasury bills.
- **The Clarion Lion Properties Fund** is a core, open-end real estate fund that invests primarily in a diversified portfolio of high-quality real estate assets in the four main property types (office, retail, industrial and apartment) located in major markets across the United States.

Investment income on assets whose use is limited, restricted assets, and investments for the year ended September 30, 2021, was $14.8 million and includes a favorable increase in unrealized gains and losses of $11.3 million. Investment income of the Foundation was $10.3 million and includes a favorable increase in unrealized gains and losses of approximately $7.6 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.

<u>Investment Risk</u>: 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;
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above; and
- Commingled investment vehicles holding permissible securities listed above and in strategies listed in accordance with the investment policy.

Note 4. Deposits and Investment Risk (Continued)

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;
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above; and
- Commingled investment vehicles holding permissible securities listed above and in strategies listed in accordance with the investment policy.

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.

<u>Custodial Credit Risk</u>: 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, 2021, 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.

<u>Credit Risk</u>: 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, 2021, Halifax Health has an investment in debt securities with Federal National Mortgage Association totaling approximately $10.1 million, representing 2.96% of total investments. At September 30, 2021, the money market fund held by Halifax Health had a credit rating of Aaa-mf, and other debt securities were limited to one fixed income commingled investment trust with credit ratings of underlying debt securities ranging from A3 to Baa3 from Moody's Investor Services Inc.

As of September 30, 2021, 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. The Halifax Pension Plan's investment in a mutual fund that primarily invests in debt securities have a credit rating of Aaa-mf from Moody's Investor Services.

Note 4. Deposits and Investment Risk (Continued)

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, 2021, 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	$ 10,884	$ 10,884	$ -	$ -
Mutual funds	163,685	163,685	-	-
U.S. Government securities	57,075	48,100	8,975	-
U.S. Government-sponsored enterprises	39,393	27,789	11,604	-
Corporate bonds	71,682	44,477	27,205	-
Other	752	752	-	-
Total	$ 343,471	$ 295,687	$ 47,784	$ -

	Net Asset Value	No Maturity Date or Less than 1 Year	1 – 5 Years	6 – 10 Years
	(In Thousands)			
Pooled, Common and Collective Fund:				
Parametric Defensive Equity Fund LLC	$ 16,131	$ 16,131	$ -	$ -
Clarion Lion Properties Fund	2,778	2,778	-	-
Total	$ 18,909	$ 18,909	$ -	$ -

At September 30, 2021, 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 statement of net position. A summary of the activities for the year ended September 30, 2021, is presented below:

	Balance at September 30, 2020	Increases/ Transfers	Decreases/ Transfers	Balance at September 30, 2021
Capital Assets—at cost:				
Land and land improvements	$ 58,168	$ 2,550	$ 2,459	$ 58,259
Buildings	505,093	5,109	1,691	508,511
Fixed equipment	35,837	338	319	35,856
Major moveable equipment	105,147	7,014	10,419	101,742
Computers and software	33,898	1,416	1,956	33,358
Projects in progress	3,504	23,845	17,474	9,875
Total capital assets—at cost	741,647	40,272	34,318	747,601
Accumulated Depreciation:				
Land improvements	4,043	310	14	4,339
Buildings	195,548	15,132	1,163	209,517
Fixed equipment	22,081	2,159	278	23,962
Major moveable equipment	77,018	7,345	9,663	74,700
Computers and software	23,135	4,593	1,959	25,769
Total accumulated depreciation	321,825	29,539	13,077	338,287
Capital assets—net	$ 419,822	$ 10,733	$ 21,241	$ 409,314

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.

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. Due to current economic factors, the Medical Center discount rate is 2% and the confidence level is 95% as of September 30, 2021.

Note 6. Self-Insurance and Insurance (Continued)

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, 2021 and 2020 are as follows:

	Balance at September 30, 2020	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2021
Employee health	1,500	$ 4,960	$ (4,910)	1,550
Professional liability	11,855	720	(425)	12,150
Workers' compensation	3,211	1,484	(1,445)	3,250
Total	$ 16,566	$ 7,164	$ (6,780)	$ 16,950

	Balance at September 30, 2019	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2020
Employee health	$ 1,325	$ 5,465	$ (5,290)	1,500
Professional liability	9,642	2,808	(595)	11,855
Workers' compensation	2,617	1,296	(702)	3,211
Total	$ 13,584	$ 9,569	$ (6,587)	$ 16,566

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. Agreements

Master Securities Loan Agreement: On December 18, 2019, MCD entered into a Master Securities Loan Agreement (MSLA) with JP Morgan Chase Bank, N.A. (JPMC). MCD and JPMC are the only parties to the MSLA. Under the terms and conditions of the MSLA, JPMC is obligated to make payments to MCD equal to the actual interest paid on the 2019 Bonds in exchange for payments from MCD based upon the outstanding par amount of the 2019 Bonds and a variable index rate (regularly scheduled payments). The MSLA has a scheduled termination date of December 18, 2026. Upon the occurrence of certain events, both MCD and JPMC maintain early termination rights by giving notice to the other party prior to the close of business on a business day. Upon any scheduled, unscheduled, or optional termination, MCD is obligated to pay JPMC the fair value of the 2019 Bonds as of the termination date in addition to any regularly scheduled payments due. Both the asset and obligation in the amount of $121.3 million are recorded on the statement of net position as of September 30, 2021.

Management Services, Governance, and Contribution Agreement: On December 17, 2019, MCD entered into a Management Services, Governance, and Contribution Agreement (Agreement) with the Medical Center, HMS, and Hospice, as well as Shands Teaching Hospital and Clinics, Inc. (Shands). Under the Agreement, the Medical Center and Shands will: (i) provide management services to operate the Medical Center of Deltona, (ii) provide equal capital funding contributions, and (iii) equally receive MCD profits and distributions. Additionally, under the Agreement, Shands, HMS, and Hospice agreed to individually provide (and have provided) joint and several liability guarantees for the obligations under the MSLA. The capital funding contribution from Shands in the amount of $12 million is recorded in noncurrent liabilities in the statement of net position as of September 30, 2021.

Note 8. Long-Term Debt

Long-term debt at September 30, 2021, consists of the following:

	Current Portion of Long-Term Debt	Long-Term Debt	Premium
		(In Thousands)	
Bonds payable:			
Series 2008	$ -	$ 70,000	$ -
Series 2015	5,025	89,130	8,469
Series 2016	1,365	157,240	8,113
Series 2019	1,825	119,500	-
Total bonds payable	$ 8,215	$ 435,870	$ 16,582

Bonds Payable: Halifax Health has $460.7 million of outstanding 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; $94.1 million of tax-exempt, fixed rate bonds (“Series 2015”), $158.6 million of tax-exempt, fixed rate bonds (“Series 2016”), and $121.3 million of revenue bonds (“Series 2019”).

Note 8. Long-Term Debt (Continued)

Pursuant to the terms of the Master Trust Indenture ("MTI") under which the Series 2008, 2015, and 2016 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.

The Series 2019 Bonds were issued at par value with a 5.25% interest rate coupon and may be redeemed at the option of MCD in whole or in part beginning on December 15, 2020, at 100% of the principal amount to be redeemed plus accrued interest to the redemption date. The Series 2019 bonds have a maturity date of December 15, 2049 and are secured by a mortgage on the assets of MCD.

The Series 2015 bonds and Series 2016 bonds have maturities 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.

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, 2021. 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 2021, with interest rates ranging from 0.02% to 0.16%. The term of the letter of credit expires November 5, 2024. 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 2021. 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 367 days after the date of the draw (and no draw may be made on the letter of credit without seven days written notice). Repayments will be made in 12 equal quarterly installments of principal plus interest. Therefore, the final quarterly installment to be made under the provisions of the letter of credit would occur on July 10, 2024. 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 3.90% at September 30, 2021. See Note 9 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.

Note 8. Long-Term Debt (Continued)

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	4.00%–5.00%	June 1, 2046
			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	3.38%–5.00%	June 1, 2046
			3.38	June 1, 2031			
			5.00	June 1, 2036			
			3.75	June 1, 2041			
			4.00	June 1, 2046			
Series 2019	December 18, 2019	$ 123,055	5.25	December 15, 2049			

Variable-Rate Bonds

Series	Date Issued	Original Issue Amount	Interest Rate at September 30, 2020	Maturity Date	Interest Rate Period
Series 2008	September 18, 2008	$ 70,000	0.10%*	June 1, 2048	7 days

* This rate is the remarketed interest rate in effect as of September 30, 2021. The Medical Center also has a fixed-pay interest rate as part of the Swap. See Note 9 for more information on the Swap.

Note 8. Long-Term Debt (Continued)

Listed below are the debt service payments for Halifax Health for each of the five years ending September 30, 2022 through 2026 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 2022. The interest rate used to calculate interest on the Series 2008 bonds was the remarketed interest rate in effect at September 30, 2021. The table below excludes interest amounts related to the swap (see Note 9).

	Series 2008		Series 2015		Series 2016		Series 2019		Total Debt Secured by Obligated Group		Total Halifax Health	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ -	$ 49	$ 5,025	$ 4,485	$ 1,365	$ 6,967	$ 1,825	$ 6,322	$ 6,390	$ 11,501	$ 8,215	$ 17,823
2023	-	49	5,285	4,233	1,425	6,899	1,925	6,223	6,710	11,181	8,635	17,404
2024	-	49	5,555	3,969	1,490	6,828	2,025	6,120	7,045	10,846	9,070	16,966
2025	-	49	5,820	3,691	1,580	6,753	2,135	6,010	7,400	10,493	9,535	16,503
2026	-	49	6,120	3,400	1,650	6,674	2,250	5,895	7,770	10,123	10,020	16,018
2027-2031	-	245	10,960	14,505	34,035	29,720	13,215	27,519	44,995	44,470	58,210	71,989
2032-2036	-	245	13,950	11,503	42,775	20,988	17,175	23,552	56,725	32,736	73,900	56,288
2037-2041	13,955	226	17,290	8,166	39,440	11,020	22,335	18,395	70,685	19,412	93,020	37,807
2042-2046	27,165	141	24,150	3,573	34,845	4,426	29,045	11,688	86,160	8,140	115,205	19,828
2047-2051	28,880	10	-	-	-	-	29,395	3,188	28,880	10	58,275	3,198
Total	$ 70,000	$ 1,112	$ 94,155	$ 57,525	$ 158,605	$ 100,275	$ 121,325	$ 114,912	$ 322,760	$ 158,912	$ 444,085	$ 273,824

Note 8. Long-Term Debt (Continued)

Long-term debt activity for the year ended September 30, 2021, consisted of the following:

	Balance at September 30, 2020	Additions (Reductions) Net of Amortization of Original Issue Premium	Balance at September 30, 2021
Series 2008	$ 70,000	$ -	$ 70,000
Series 2015	107,748	(5,124)	102,624
Series 2016	168,354	(1,636)	166,718
Series 2019	123,055	(1,730)	121,325
Total	$ 469,157	$ (8,490)	$ 460,667

Note 9. 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 Assured Guaranty Municipal Corp. (“AGMC”). For the year ended September 30, 2021, the Medical Center made approximately $2.7 million in payments under the Swap agreement to the counterparty and received approximately $56,600 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, 2021, the fair value of the Swap liability of approximately $34.0 million was included in other long-term liabilities, with the current-year change in fair value of approximately $11.5 million recorded as an increase in deferred outflows in noncurrent assets. The fair value of the Swap was approximately $34.0 million at September 30, 2021, 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 9. 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, 2021, the interest rate on the hedged variable-rate debt is 0.07% and 67% of LIBOR is 0.06%.

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, 2021 (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, 2021. 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
2022	$ -	$ 49	$ 2,647	$ 2,696
2023	-	49	2,647	2,696
2024	-	49	2,647	2,696
2025	-	49	2,647	2,696
2026	-	49	2,647	2,696
2027-2031	-	245	13,233	13,478
2032-2036	-	245	13,233	13,478
2037-2041	13,955	226	12,190	12,416
2042-2046	27,165	141	7,591	7,732
2047-2051	28,880	10	557	567
Total	$ 70,000	$ 1,112	$ 60,039	$ 61,151

Note 10. 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.

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 September 30, 2020, the measurement date, the Plan included 304 active employees, 476 terminated but vested participants, and 1,090 retired participants and beneficiaries.

Note 10. Pension Plan (Continued)

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 a contractual agreement to fund contributions on behalf of Staffing. The contribution rate is determined on an actuarial basis. Halifax Health contributed $25.9 million to the Plan in fiscal year 2021. In accordance with GASB Statement No. 68, that amount is recorded on the statement of net position as a deferred outflow at September 30, 2021. Staffing's proportionate share of the contribution, expense and net pension liability is 92.12% and Hospice's proportionate share is 7.88% for fiscal year 2021. 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	Pri-2012 Mortality Table (Sex-Distinct), Scale MP-2021
Interest rate	6.75% annually, compounded
Pay increase	N/A
Cost of living adjustment	3%
Measurement date	September 30, 2020
Valuation date	October 1, 2019
Allocation of Plan assets	55-75% Equities
	20-40% Fixed income
	0-7% Core Private Real Estate
Real rate of return	Overall 3.79%, arithmetic mean
	Equities - 5.5%
	Fixed income - (0.1)%
	Real Estate - 4.2%
Experience study date	October 1, 2020

The discount rate used in measuring the total pension liability of $78.2 million was 6.75% for fiscal year 2021. 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, 2021 using a discount rate of 5.75% would have been $116.2 million, and using a discount rate of 7.75% would have been $43.2 million.

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.

Note 10. Pension Plan (Continued)

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 assumed that 25% of participants will elect a one-time lump sum benefit upon termination, and 0% of participants will elect a one-time lump sum benefit payment upon retirement. 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.

The net pension liability at September 30, 2021 using a discount rate of 6.75% was $78.2 million. Since the last measurement date, September 30, 2020, the Plan updated its assumptions using the PRI-2012 (sex-distinct) table for employees and healthy annuitants with mortality improvements projected using Scale MP-2021 on a fully generational basis. 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 Outflow - Change in Assumptions	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Pension Expense
Balance at September 30, 2020	$ 23,472	$ 16,180	$ 200	$ 4,618	$ (360,433)	$ 275,202	$ (85,231)	$ -
Service cost	-	-	-	-	(2,133)	-	(2,133)	2,133
Interest cost	-	-	-	-	(23,733)	-	(23,733)	23,733
Difference in expected and actual experience	-	7,526	2,268	-	(2,266)	(7,526)	(9,792)	-
Changes of assumptions	-	-	-	87	(87)	-	(87)	-
Projected investment income	-	-	-	-	-	19,420	19,420	(19,420)
Benefit payments	-	-	-	-	22,296	(22,296)	-	-
Expenses	-	-	-	-	-	(107)	(107)	107
Contributions recognized in Plan fiduciary net position	(23,472)	-	-	-	-	23,472	23,472	-
Contributions made after measurement date	25,947	-	-	-	-	-	-	-
Amortization of deferred balances	-	(3,992)	(2,015)	(4,688)	-	-	-	10,695
Balance at September 30, 2021	$ 25,947	$ 19,714	$ 453	$ 17	$ (366,356)	$ 288,165	$ (78,191)	$ 17,248

Proportionate share of the above balances as of September 30, 2021:

Medical Center	$ 23,902	$ 18,161	$ 417	$ 16	$ (337,487)	$ 265,458	$ (72,030)	$ 15,889
Hospice	2,045	1,553	36	1	(28,869)	22,707	(6,161)	1,359
	$ 25,947	$ 19,714	$ 453	$ 17	$ (366,356)	$ 288,165	$ (78,191)	$ 17,248

Note 10. Pension Plan (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2021, 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 Outflow - Change in Assumptions	To Be Recognized in Future Pension Expense
Balance at September 30, 2021	$ 25,947	$ 19,714	$ 453	$ 17	$ -
2022	(25,947)	(5,130)	(453)	(17)	5,600
2023	-	(6,874)	-	-	6,874
2024	-	(6,208)	-	-	6,208
2025	-	(1,502)	-	-	1,502
	$ -	$ -	$ -	$ -	$ 20,184

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, 2021, was approximately $4.4 million and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position. Participants contributed approximately $11.1 million to the Contribution Plan for the year ended September 30, 2021.

Note 11. Other Postemployment Benefits

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 coverage under Medicare Parts B and D when first eligible.

Note 11. Other Postemployment Benefits (Continued)

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: The following employees were covered by the benefit terms, as of October 1, 2020, which is the most recent actuarial valuation date:

	Retiree HRA Plan	Retiree Medical Plan
Active employees not fully eligible for benefits	222	218
Inactive employees currently receiving benefits	1,286	40
Active employees fully eligible for benefits	140	144
	1,648	402

Actuarial Methods and Assumptions: The total Retiree HRA Plan and Retiree Medical Plan's liabilities in the September 30, 2021 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, 2021	September 30, 2021
Measurement date	September 30, 2020	September 30, 2020
Actuarial valuation date	October 1, 2019	October 1, 2019
Discount rate	2.41%	2.41%
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	1.284	3.519
Method used to determine actuarial value of assets	N/A	N/A

** 6.75% for healthcare costs, decreasing to an ultimate rate of 3.78% in 2075. 7.0% for prescription drugs, decreasing to an ultimate rate of 3.78% 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, 2021 report were based on the results of an actuarial experience study for the period ended October 1, 2020. 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.

Note 11. Other Postemployment Benefits (Continued)

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, 2020	$ 19,467	$ 2,064
Changes for the year:		
Service cost	213	4
Interest	528	51
Differences between expected and actual experience	199	(132)
Changes of assumptions or other inputs	778	(35)
Benefit payments	(878)	(392)
Net changes	840	(504)
Balance as of September 30, 2021	$ 20,307	$ 1,560

Changes of assumptions or other inputs reflect a change in the discount rate from 2.75% as of October 1, 2020 to 2.41% as of September 30, 2021.

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 (1.41%) or 1-percentage-point higher (3.41%) than the current discount rate:

	1% Decrease 1.41%	Discount Rate 2.41%	1% Increase 3.41%
		(In Thousands)	
Total Retiree HRA Plan liability	$ 22,714	$ 20,307	$ 18,257
Total Retiree Medical Plan liability	1,637	1,560	1,490

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the year ended September 30, 2021, Halifax Health recognized a Retiree HRA Plan expense in the amount of $2.4 million and an expense in the Retiree Medical Plan expense of $46,800. At September 30, 2021, 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	$ 53	$ -	$ 3	$ (95)
Changes of assumptions or other inputs	172	-	61	(25)
Employer contributions subsequent to the measurement date	943	-	-	-
	$ 1,168	$ -	$ 64	$ (120)

Note 11. Other Postemployment Benefits (Continued)

Employer contributions subsequent to the measurement date of October 1, 2020 of approximately $942,800 for the Retiree HRA Plan which is reported as deferred outflows of resources as of September 30, 2021, will be recognized as a reduction of the OPEB liability in Halifax Health's year ending September 30, 2022. 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 future service to retirement of plan participants as follows:

	Retiree HRA Plan	Retiree Medical Plan
	(In Thousands)	
Year ending September 30:		
2022	$ 225	$ (14)
2023	-	(18)
2024	-	(24)
	$ 225	$ (56)

Note 12. Commitments and Contingencies

Leases: The Medical Center is committed under various noncancelable operating leases. These expire in various years through 2030. Future minimum operating lease payments are as follows (in thousands):

Years ending September 30,	
2022	$ 6,339
2023	4,524
2024	2,423
2025	2,296
2026	2,312
2027-2048	8,377
Total minimum lease payments required	$ 26,271

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 health care providers. Violations of these laws and regulations could result in significant fines and penalties, including repayments for patient services previously reimbursed.

Note 13. 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, 2021, was as follows:

Medicare	18.0%
Medicaid	10.0%
Other third-party payors	71.0%
Self-pay patients	1.0%
Total	100.0%

Note 14. 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, 2021, EVHS received distributions of $2.6 million from ECFOI and recognized its proportionate share of ECFOI's net income or loss by adjusting its equity interest balance. At September 30, 2021, EVHS had $353,000 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 develop and operate outpatient facilities. At September 30, 2021, EVHS had $2.0 million recorded as an equity interest that is included in other assets in the accompanying financial statements. During the year ended September 30, 2021, there were no distributions.

EVHS has a 50% equity interest in a joint venture to operate HB Rehabilitative Services, Inc. (HB). During the year ended September 30, 2021, EVHS received distributions of $2.6 million from HB, and at September 30, 2021, EVHS had $5.6 million recorded as an equity interest in HB that is included in other assets in the accompanying financial statements.

MCD and Brooks Halifax Rehabilitation Services, LLC, ("Brooks") entered into a joint venture agreement to provide outpatient rehabilitation clinics. MCD has a 50% equity interest in the joint venture to operate as HB Deltona Rehabilitative Services, LLC ("HB"). During the year ended September 30, 2021, there were no distributions. MCD had $407,000 recorded as an equity interest. HB does not issue stand-alone financial statements.

Note 15. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. A pandemic defines a global spread of a new disease most often applied to new influenza strains. The term is used to describe viruses that are able to infect people easily and spread from person to person in an efficient and sustained way across multiple regions. On March 20, 2020, Governor DeSantis, in response to the pandemic, issued an Executive Order prohibiting elective or non-emergency procedures and surgeries, which, if delayed, would not place a patient's health or safety at risk. Hospice revenues and expenses were significantly impacted by the closure of its thrift shops, decreases in patient volumes and related revenues and expenses.

Note 15. COVID-19 Pandemic (Continued)

In response to COVID-19 and its effects on the U.S. economy and the health care delivery system, Congress passed various stimulus bills, among these was the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), enacted on March 27, 2020, which has provided $100 billion in funding and other financial benefits to many health care systems. In April 2020, the U.S. Department of Health and Human Services ("HHS") made general distributions totaling $50 billion (in two tranches of $30 billion and $20 billion) to all health care providers in proportion to providers' share of 2019 net patient service revenue. Halifax Health received distributions of $13.5 million as part of the general distribution from Provider Relief Funds, and $45 million from the targeted funds. Halifax Health recorded $32.8 million during the year ended September 30, 2021 as nonoperating revenue in the accompanying statement of revenues, expenses and changes in net position.

Management is aware that the Provider Relief Funds received are subject to audit, and certain amounts could be at risk of being paid back in the future. Based on the estimated financial impact of COVID-19 through September 30, 2021, management does not believe such amounts, if any, would be material.

Note 16. Subsequent Events

Management has evaluated subsequent events through January 21, 2022, the date which the financial statements were available to be issued.

On September 8, 2021 a resolution authorizing Halifax Staffing, Inc. to amend the Halifax Pension Plan to provide participants with a lump sum cash out option was presented and approved. The Cash Out Program allows for a new cash out option that would allow a one-time lump sum cash payment instead of the monthly cash payments for life. The Plan Amendment waives the retiree health reimbursement account for those selecting the Cash Out Program. The effective date of this amendment is December 15, 2021. As of September 30, 2021, the acceptance and subsequent financial impact of these elections are undetermined.

After September 30, 2021, the Medical Center received $5.7 million in Phase 4 CARES Act funding.

In November 2021, the MCD Board of Directors approved the purchase of the Free Standing Emergency Department in the amount of $14.2 million. The purchase is expected to close in the first quarter of 2022.

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	(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
Service cost	3,311	-	3,311
Interest	22,154	-	22,154
Difference between expected and actual experience and assumption changes	2,490	-	2,490
Contributions—employer	-	19,876	(19,876)
Net investment income	-	15,283	(15,283)
Benefit payments	(21,349)	(21,349)	-
Plan administrative expenses	-	(71)	71
Balance, September 30, 2019	$ 341,997	$ 280,098	$ 61,899

(Continued)

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

Required Supplementary Information (Unaudited) (Continued)
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, 2019	$ 341,997	$ 280,098	$ 61,899
Service cost	2,769	-	2,769
Interest	22,596	-	22,596
Difference between expected and actual experience and assumption changes	13,430	-	13,430
Contributions—employer	-	19,500	(19,500)
Net investment income	-	(3,969)	3,969
Benefit payments	(20,359)	(20,359)	-
Plan administrative expenses	-	(68)	68
Balance, September 30, 2020	360,433	275,202	85,231
Service cost	2,133	-	2,133
Interest	23,733	-	23,733
Difference between expected and actual experience and assumption changes	2,266	(7,526)	9,792
Change of assumptions	87	-	87
Contributions—employer	-	23,472	(23,472)
Net investment income	-	19,420	(19,420)
Benefit payments	(22,296)	(22,296)	-
Plan administrative expenses	-	(107)	107
Balance, September 30, 2021	$ 366,356	$ 288,165	$ 78,191

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) * 92.12%	Hospice Proportionate Share (a-b) * 7.88%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll
October 1, 2019	$ 366,356	$ 288,165	$ 78,191	$ 72,030	$ 6,161	$ 23,098	79%	339%
October 1, 2018	360,433	275,202	85,231	78,515	6,716	26,858	76	317
October 1, 2017	341,997	280,098	61,899	59,000	2,899	32,092	82	193
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, 2019	$ 25,947	$ 23,472	$ 2,475	90%	$ 23,098	102%
October 1, 2018	23,472	19,500	3,972	83	26,858	73
October 1, 2017	19,500	19,876	(376)	102	32,092	62
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, 2019
Actuarial cost method	Entry Age Normal, Level Percent of Pay
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	Pri-2012 Mortality Table (Sex-Distinct) Scale MP-2021
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, 2020, the Plan updated its assumptions regarding mortality tables. This change in Plan assumption resulted in a decrease in the pension liability of approximately $7.0 million at September 30, 2021.

In accordance with GASB Cod. Sec. Pe5, *Pension Plans – Defined Benefit*, Halifax Health is required to present 10 years of data in the required supplemental schedules; however, only eight years of information is available since implementing GASB Statement No. 68 at October 1, 2014. 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 HRA Plan Liability and Related Ratios
(In Thousands)

	Years Ended September 30, 2020			
	2021	2020	2019	2018
Total Retiree HRA Plan liability				
Service cost	**$ 213**	$ 162	$ 197	$ 173
Interest	**528**	647	617	601
Changes of benefit terms	**-**	-	-	(559)
Differences between expected and actual experience	**199**	(76)	43	96
Changes of assumptions or other inputs	**778**	2,419	(1,255)	(1,949)
Benefit payments	**(878)**	(846)	(274)	(750)
Net change in total Retiree HRA Plan liability	**840**	2,306	(672)	(2,388)
Total Retiree HRA Plan liability—beginning	**19,467**	17,161	17,833	20,221
Total Retiree HRA Plan liability—ending	**$ 20,307**	$ 19,467	$ 17,161	$ 17,833
Covered-employee payroll	**$ 23,098**	$ 32,044	$ 32,092	$ 33,468
Total Retiree HRA Plan liability as a percentage of covered-employee payroll	**60.62%**	60.62%	53.48%	53.28%
Changes of assumptions or other inputs reflect a change in the discount rate of:	**2.41%**	2.75%	3.83%	3.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, only four years of information are 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)

	Years Ended September 30			
	2021	2020	2019	2018
Total Retiree Medical Plan liability				
Service cost	**$ 4**	$ 2	$ 3	$ 170
Interest	**51**	80	89	205
Changes of benefit terms	**-**	-	-	(5,085)
Differences between expected and actual experience	**(132)**	5	-	1,510
Changes of assumptions or other inputs	**(35)**	126	(58)	(530)
Benefit payments	**(392)**	(454)	(519)	(320)
Net change in total Retiree Medical Plan liability	**(504)**	(241)	(485)	(4,050)
Total Retiree Medical Plan liability—beginning	**2,064**	2,305	2,790	6,840
Total Retiree Medical Plan liability—ending	**$ 1,560**	$ 2,064	$ 2,305	$ 2,790
Covered-employee payroll	**$ 23,098**	$ 32,044	$ 32,092	$ 33,468
Total Retiree Medical Plan liability as a percentage of covered-employee payroll	**6.44%**	6.44%	7.18%	8.34%
Changes of assumptions or other inputs reflect a change in the discount rate of:	**2.41%**	2.75%	3.83%	3.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, only four years of information are 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, 2021
(In Thousands)

Assets and Deferred Outflows	
Current Assets:	
Cash and cash equivalents	$ 143,508
Investments	177,044
Current assets whose use is limited—Trustee-held self-insurance funds	333
Accounts receivable, patients, net of estimated uncollectibles of $84,145	61,340
Inventories	14,850
Other current assets	27,134
Total current assets	424,209
Noncurrent Assets Whose Use is Limited:	
Board-designated funded depreciation	26,608
Depreciable capital assets, net	215,666
Nondepreciable capital assets	53,531
Investment in affiliates	191,802
Other assets	9,507
Total assets	921,323
Deferred Outflows:	
Interest rate swap	34,006
Pension, contribution after measurement date	23,902
Pension, other	18,594
Deferred outflows related to other postemployment benefits	1,135
Loss on refunding of debt, net	12,916
Total deferred outflows	90,553
Total assets and deferred outflows	$ 1,011,876

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group (Continued)
September 30, 2021
(In Thousands)

Liabilities and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$	67,225
Accrued payroll and personal leave time		24,536
Current portion of accrued self-insurance liability		5,265
Current portion of long-term debt		6,390
Interest payable on long-term debt		3,817
Other current liabilities		1,622
Total current liabilities		108,855
Noncurrent Liabilities:		
Long-term debt, less current portion		332,952
Net pension liability		72,030
Other postemployment benefits liability		20,144
Accrued self-insurance liability, less current portion		11,685
Other liabilities		10,479
Long-term value of interest rate swap		34,006
Total liabilities		590,151
Deferred inflows related to other post employment benefits		111
Total liabilities and deferred inflows		590,262
Net Position:		
Net investment in capital assets		(22,512)
Unrestricted		444,126
Total net position		421,614
Total liabilities and net position	$	1,011,876

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, 2021
(In Thousands)

Operating Revenues:		
Net patient service revenue, before provision for bad debts	$	645,766
Provision for bad debts		(95,589)
Net patient service revenue		550,177
Ad valorem tax revenue		19,658
Other revenue		20,101
Total operating revenues		589,936
Operating Expenses:		
Salaries and benefits		271,596
Supplies		119,416
Purchased services		101,634
Depreciation and amortization		21,873
Ad valorem tax-related expenses		7,646
Leases and rentals		5,865
Other		24,688
Total operating expenses		552,718
Income from operations		37,218
Nonoperating Revenues (Expenses):		
Interest expense		(15,077)
Investment income—net		167
Donation revenue		246
CARES Act revenue		23,082
Nonoperating gains—net		4,388
Income from affiliates		29,118
Total nonoperating revenues		41,924
Increase in net position		79,142
Net Position:		
Beginning net position		342,472
End of year	$	421,614

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, MCD 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 or 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.