



HALIFAX HEALTH

**Audit & Finance
Committee**

Wednesday, January 3, 2018

Meeting Location

Halifax Health

France Tower, Conference Room A

4:00 p.m.

HALIFAX HEALTH AUDIT & FINANCE COMMITTEE
4:00 p.m., Wednesday, January 3, 2018
AGENDA

I. CALL TO ORDER

II. MINUTES

- | | |
|-----------------------------------|--|
| Investment Committee Minutes | portal page 4, action requested |
| • August 14, 2017 | |
| Audit & Finance Committee Minutes | portal page 6, action requested |
| • November 1, 2017 | |

III. AUDIT COMMITTEE

Corporate Compliance, Shelly Shiflet

- | | |
|--|---|
| • Monthly Compliance Dashboard Reports | portal page 10, information only |
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Internal Audit, Bill Rushton

- | | |
|--|---|
| • Audit Services Discussion and Analysis | portal page 14, action requested |
|--|---|

FY 2017 Draft Audited Financial Statements, Lisa Tyler & Ryan Weber

- | | |
|--|---|
| • Audit Committee Presentation | portal page 25, action requested |
| • Halifax Hospital Medical Center Financial Report Draft | portal page 25 |
| • Halifax Hospice, Inc. Financial Report Draft | portal page 46 |
| | portal page 111 |

IV. FINANCE COMMITTEE

Financial Report, Eric Peburn

- | | |
|-----------------|--|
| • November 2017 | portal page 135, action requested |
| • October 2017 | portal page 159, action requested |

Acquisitions, Leases and Disposals, Kent Bailey

- | | |
|---|--|
| • Capital Investment Strategy, November 2017 | portal page 183, information only |
| • Capital Expenditures \$50,000 and over | portal page 187, action requested |
| • Data Protection Hardware & Software | \$496,641 |
| • Chilled Water Piping Project for Surgical Suites | \$463,349 |
| • Chiller for Ormond ROC | \$186,532 |
| • Patient Harness System for Inpatient Rehabilitation | \$83,315 |
| • Disposals, November & October 2017 | portal page 196, action requested |
| • Sale of a Portion of Vacant Land West of Clyde Morris Blvd. | portal page 198, action requested |
| • Comparison of Projected and Actual Financial Results for Significant Projects | none |

Old Business

- | | |
|---|--|
| • Meeting Request Tracker/Checklist | portal page 200, information only |
| • Center for Rehabilitation Service Line Report and Annual Update | portal page 201, information only |
| • Hospice Market Share, Annual Update | portal page 207, information only |

HALIFAX HEALTH AUDIT & FINANCE COMMITTEE

New Business

- Resolution Authorizing Issuance of Bonds for Deltona portal page 209, **action requested**
- Interim Financing of Deltona Project discussion

Information Only

- Discharged Based -Average Length of Stay and Case Mix Index portal page 217, **information only**
- Investment Performance Reports, November & October 2017 portal page 219, **information only**
- Capital Expenditures \$25,000 - \$50,000 portal page 229, **information only**
 - *Access Control for Cardiac Intermediate Care Oncology* \$48,000
 - *Microdebriders* \$46,126
 - *Hemostasis Analyzers* \$45,380
 - *EMG/Nerve Conducting Ultrasound Unit* \$26,876
 - *Bladder Scanners* \$25,245

V. OPEN DISCUSSION

- VI. NEXT MEETING **MONDAY, February 12, 2018, 4:00 p.m. – Investment Committee meeting**
WEDNESDAY, February 28, 2018, 4:00 p.m. – Regular scheduled meeting

VII. PUBLIC PARTICIPATION

VIII. EXECUTIVE SESSION

IX. ADJOURN

Halifax Hospital Medical Center
Investment Committee Meeting, Sub Committee Audit & Finance Committee
France Tower, Conference Room A, 303 N. Clyde Morris Blvd., Daytona Beach, FL 32114
Monday, August 14, 2017

Present: Ted Serbousek, Chairman & Chairman, Audit & Finance Committee
Dan Francati, Member & Member, Audit & Finance Committee & Vice Chairman, Board of Commissioners
Dave Graffagnino, Member
Greg Motto, Member, Audit & Finance Committee
Decker Youngman, Member, Audit & Finance Committee
Mike Walsh, Advisor

Via Phone: Susan Schandel, Member & Member, Audit & Finance Committee & Treasurer, Board of Commissioners

Also Present: Jeff Feasel, President & Chief Executive Officer
Eric Peburn, Executive Vice President & Chief Financial Officer
Kent Bailey, Director of Finance
Lisa Tyler, Corporate Controller
Leslie Wojcik, Ashford Investments
Tom McGuire, Retirement Planners & Administrators, Inc.
Jim Charles, Dimensional Fund Advisors
Dave Kershner, Dimensional Fund Advisors

The meeting was called to order at 4:00 p.m. by Ted Serbousek. Mr. Serbousek introduced Mr. McGuire, who is the Halifax Health account representative with Retirement Planners & Administrators, Inc.

Manager Presentation

Discussion: Manager Presentation – Dimensional Fund Advisors
Jim Charles and Dave Kershner from Dimensional Fund Advisors (DFA) were introduced and presented the portfolio update (board portal).

Action: None required.

Minutes

Discussion: Minutes from the May 8, 2017 Investment Committee meeting were reviewed.

Action: Mr. Graffagnino moved to approve the May 8, 2017 Investment Committee minutes as presented. Mr. Youngman seconded the motion and it carried unanimously.

Manager Assessment and Quarterly Review

Discussion: Manager Assessment – DFA
Mr. Walsh presented the results of his comparative evaluation for DFA, supporting his recommendation to remain with DFA. Brief discussion ensued.

Action: Mr. Francati moved to remain with DFA. Mr. Graffagnino seconded the motion and it carried unanimously.

Discussion: Mr. Walsh, Ashford Investment Advisors, presented the investment review for the 2nd calendar quarter, ended 6/30/2017.

Action: None required.

Old Business

Discussion: None.

New Business

Discussion: Discuss Investment Allocations
Mr. Walsh reviewed the annual investment allocation review as information only.

Discussion: Annual Investment Policy Review Checklist
Mr. Bailey referred to the policy review checklist, stating that all requirements were reviewed since the last quarter. There are not any changes recommended at this time.

Action: Mr. Graffagnino moved to approve that the Annual Investment Policy Review Checklist. Mr. Youngman seconded the motion and it carried unanimously.

Discussion: Annual Investment Policies Review
Mr. Bailey reported that the investment policies of Halifax Hospital Medical Center, H.H. Holdings, Hospice, the Foundation and the Pension Plan were included for review; there are not any changes recommended at this time.

Action: Mr. Graffagnino moved to approve the Annual Investment Policies. Mr. Youngman seconded the motion and it carried unanimously.

Discussion: Annual Investment Charter Review
Mr. Bailey reported that the Investment Committee Charter was included for review; there are not any changes recommended at this time.

Action: Mr. Graffagnino moved to approve that the Annual Investment Charter. Mr. Motto seconded the motion and it carried unanimously.

Informational Only

Discussion: Investment Performance Report, June 2017

Action: None required.

Next Meeting: Monday, November 13, 2017, 4 p.m. – Regular scheduled meeting

Open Discussion

Discussion: None.

Adjournment

Ted Serbousek

Halifax Hospital Medical Center
Audit and Finance Committee Meeting
303 N. Clyde Morris Blvd., France Tower, Conference Room A
Wednesday, November 1, 2017

Present: Ted Serbousek, Chairman
Ammar Hemaïdan, MD, Member & Member, Medical Staff
Greg Motto, Member
Decker Youngman, Member
Susan Schandel, Member & Treasurer, Board of Commissioners
Daniel Francati, Member & Vice Chairman, Board of Commissioners

Also Present: Jeff Feasel, President & CEO
Eric Peburn, Executive VP/Chief Financial Officer
Shelly Shiflet, Chief Compliance Officer
Bill Rushton, Director, Internal Audit
Kent Bailey, Director of Finance
Lisa Tyler, Corporate Controller
Bob Wade, Compliance Expert
Mark Billings, Executive VP/Chief Operating Officer
Arvin Lewis, Senior VP/Chief Revenue Officer
Catherine Luchsinger, Chief Nursing Officer
Alberto Tineo, Senior VP, Operations
Bill Griffin, Director, System Research and Planning
Jill Wheelock, Associate General Counsel
Mary Jo Allen, Executive Director, Halifax Health Hospice
Tony Trovato, Director of Business Operations, Halifax Health Hospice
Ben Eby, Director of Finance, Halifax Health Hospice
Charlena Kowatch, Deputy Chief Compliance Officer
Dee Schaeffer, Government Affairs Officer/Ex. Director, Healthy Communities
Bob Williams, Director, Population Health Business Development, Volusia Health Network
Michael Marques, Director, Technical Services, Information Technology
Nancy Jeffreys, IT Security Risk Manager

The meeting was called to order at 4:00 p.m. by Ted Serbousek. Attendance was recorded. Chairman Serbousek stated that the first portion of the meeting was exempt from public participation due to the sensitive information presented.

MINUTES

Discussion: Minutes from the August 30, 2017 Audit & Finance Committee Meeting were reviewed.

Action: Dr. Hemaïdan moved to approve the minutes as presented and recommends approval by the Halifax Health Board of Commissioners. Mr. Motto seconded the motion and it carried unanimously.

AUDIT COMMITTEE

CORPORATE COMPLIANCE

Discussion: Monthly Compliance Program Update Dashboard
Ms. Shiflet presented the Compliance Dashboard for the months ended September 2017 and August 2017, referencing no issues in September 2017, but citing the attendance of the Compliance Committee fell short of the 70% or greater internal target in August 2017. Ms. Shiflet and Mr. Peburn reported that as a follow up to previous discussion, the unclaimed property audit case is now closed.

Action: None required.

INTERNAL AUDIT

Discussion: Mr. Rushton led committee members through the Audit Services Discussion and Analysis presentation. The Summary of Audit Follow-up Report will be brought back to the committee for continued discussion/approval at the next meeting

Action: None required.

FINANCE COMMITTEE

FINANCIAL REPORT

Discussion: Mr. Peburn reviewed the September 2017 Financial Report, presenting the statistical and financial summaries.

Action: Dr. Hemaïdan moved to approve the September 2017 and August 2017 Financial Reports and recommends approval by the Board of Commissioners. Mr. Motto seconded the motion and it carried unanimously.

ACQUISITIONS, LEASES & DISPOSALS

Discussion: Capital Investment Strategy
Mr. Bailey presented the September 2017 Capital Investment Strategy monthly update.

Action: None required.

Discussion: Capital Expenditures \$50,000 and over

• Development of Road & Utility Infrastructure, Clyde Morris	\$2,530,000
• Acquisition of Orthopedic Medical Office	\$897,715
• Gastroenterology (GI) Relocation Project	\$683,995
• Phase I Road & Utility Infrastructure, Howland Blvd.	\$430,000
• Surgical Tables	\$109,840
• Urinalysis Analyzer	\$99,590
• Orthopedic Surgical Table	\$93,057

Action: Mr. Serbousek pulled the Development of Road & Utility Infrastructure capital expenditure totaling \$2,530,000 on Clyde Morris Blvd. from the above list for discussion. Following discussion, Mr. Francati moved to approve, subject to Board approval of the sale of the property, the capital expenditure request totaling \$2,530,000 and recommends approval by the Board of Commissioners. Mr. Youngman seconded the motion. Mr. Serbousek opened the floor for discussion.

Mr. Francati amended his motion to include that contingent on the sale of the land and Board approval, the capital expenditure request totaling \$2,530,000 for the development of road & utility infrastructure on Clyde Morris Blvd. be approved and recommends approval by the Board of Commissioners. Mr. Youngman seconded the amended motion and it carried unanimously.

Action: Mr. Francati moved to approve the remaining list of capital expenditures and recommends approval by the Board of Commissioners. Mr. Youngman seconded the motion and it carried unanimously.

Discussion: Disposals

Action: Mr. Youngman moved to approve the disposals and recommends approval by the Board of Commissioners. Mr. Motto seconded the motion and it carried unanimously.

Discussion: Disposals - Sale of Portion of Vacant Land West of Clyde Morris Blvd. and Sale of Portion of Deltona Parcel, 120 Howland Blvd.

Action: Mr. Francati moved to approve the above stated vacant land and land parcel disposals and recommends approval by the Board of Commissioners. Mr. Motto seconded the motion and it carried unanimously.

Discussion: Comparison of Projected and Actual Financial Results for Significant Projects

Action: No report; no action required.

OLD BUSINESS

Discussion: Fitch Ratings Update
Mr. Peburn briefly restated the communication sent electronically to committee members of the bond rating upgrade from Fitch Ratings from "BBB+" to "A-."

Action: None required.

Discussion: Deltona Financing Update
Mr. Peburn provided a Deltona Financing update to the committee, referring members to slide 25 of his presentation (board portal) highlighting the approvals to be requested at the next meetings of the:

- Halifax Hospital Medical Center Board of Commissioners – Approve the Inpatient Hospital Facility in Deltona at a cost of \$105 million and overall plan of financing/leasing
- H.H. Holdings, Inc. Board of Directors – Approve a loan to Halifax Management Systems to fund construction of inpatient hospital facility until permanent financing secured (variable interest rate, plus 25 bps - Stage 1 of project financing)

Discussion: Meeting Request Tracker/Checklist
The Center for Rehabilitation Service Line report is now slated for the January 3, 2018 committee meeting.

Action: None required.

NEW BUSINESS

Discussion: Reimbursement Resolutions
Mr. Bailey referred committee members to two reimbursement resolutions (board portal) drafted for the anticipated need to use in the future and to be used for expenses incurred with the acquisition, construction, renovation, equipping and improvement of hospital facilities to include all required support infrastructure and ancillary services for a full service acute care hospital in Deltona.

1. Halifax Hospital Medical Center: to reimburse itself from the proceeds of debt.
2. Halifax Management Systems: to reimburse itself from the proceeds of tax-exempt debt.

Action: Mr. Motto moved to approve the reimbursements resolutions as presented and recommends approval by the Board of Commissioners. Mr. Youngman seconded the motion and it carried unanimously.

Discussion: Opening of Bank Account with US Bank
Ms. Bailey shared that Halifax Health entered into an agreement with Athenahealth to become the provider for EMR and Practice Management Services. As such, it is recommended to use their relationship with US Bank for deposit purposes to achieve optimum cost and time saving features of their system configurations.

Action: Mr. Motto moved to approve the opening of the bank account with US Bank as presented and recommends approval by the Board of Commissioners. Mr. Youngman seconded the motion and it carried unanimously.

Discussion: Opening of Bank Account with Intracoastal Bank
Mr. Bailey reported that the Medical Staff is requesting establishing a relationship for banking and treasury services with Intracoastal Bank.

Action: Mr. Motto moved to approve the opening of the bank account with Intracoastal Bank as presented and recommends approval by the Board of Commissioners. Mr. Youngman seconded the motion and it carried unanimously.

Discussion: 2018 Meeting Calendar
The 2018 Meeting Calendar was included in the materials.

Action: None required.

INFORMATIONAL REPORTS

Discussion: The Discharged Based-Average Length of Stay and Case Mix Index, the Schedule of Uses of Property Taxes for September 2017, the Investment Performance Reports for September and August 2017, the Capital Expenditures, \$25,000 - \$50,000, and the Operating Leases, \$50,000-\$250,000 were presented under Information Only. The Capital Expenditures \$25,000 - \$50,000 were as follows:

- | | |
|--|----------|
| • Omnicell Medication Dispensing Cabinet | \$33,214 |
| • Vaginal CT/MRI Multi Channel Applicator for Radiation Oncology | \$29,473 |
| • Port Orange Care Center HVAC Replacement | \$28,600 |
| • Meditech Interface for Laboratory – Blood Glucose Meter | \$25,350 |

Action: None required.

OPEN DISCUSSION

Discussion: None.

NEXT MEETING DATE: Monday, November 13, 2017, 4:00 p.m. – Investment Committee meeting
Wednesday, January 3, 2018, 4:00 p.m. – Regular Committee meeting

ADJOURNMENT

Action: There being no further business, the meeting was adjourned.

Ted Serbousek, Chairman



HALIFAX HEALTH

To: Audit and Finance Committee and Board of Commissioners
Cc: Jeff Feasel, Chief Executive Officer
From: Shelly Shiflet, Vice President and Chief Compliance Officer
Date: December 18, 2017
Re: Compliance Dashboard Report for the month ended November 30, 2017

Enclosed is the Compliance Program Dashboard Report for November 2017.

Feel free to contact the Board's Compliance Expert, Robert Wade, Esq., or me regarding any questions on this report.

Mr. Wade can be reached at: rwade@kdlegal.com
Office: 574.485.2002

I can be reached at: shelly.shiflet@halifax.org
Office: 386.425.4970

Recommended Action: None. Information only.

Halifax Health
Corporate Compliance Program
Board Report – 11/30/2017

ON TARGET ■

ALERT ■

I. EMPLOYEE AND BOARD EDUCATION – Halifax Health’s compliance program and Corporate Integrity Agreement requires most employees to acknowledge the Code of Conduct within 30 days of hire. Employees who are considered “Covered Persons” are required to complete 1 hour of general compliance training within 30 days of hire and annually thereafter. Managers and others who are considered “Arrangements Covered Persons” must complete an additional hour of general education and 2 hours of arrangements training within 30 days of becoming an “Arrangements Covered Person,” and annually thereafter. Members of the Board are required to complete 6 hours (2 hours general, 2 hours arrangements, and 2 hours governance) of training within 30 days of becoming a member. The following is the status of education for Halifax Health’s employees:

	➤	Code of Conduct Attestation¹
	1. 4,206	Number of Covered Persons and Board Members required to complete as of end of period
	2. 100%	% of Covered Persons who have completed (On Target at 100%)

	➤	CIA Required Training²
	1. 4,062	Number of Covered Persons and Board Members required to complete as of end of period
	2. 100%	% of Covered Persons who have completed (On Target at 100%)

II. SANCTION CHECKS - Halifax Health’s Corporate Integrity Agreement requires all “Covered Persons” be screened for exclusions from participation in federal programs monthly. During the period:

	➤	Sanction Check for Covered Persons³
	1. 4,962	Number of Covered Persons as of the end of the period
	2. 100%	% of Covered Persons above who had no sanctions, based on monthly sanction check results (On Target at 100%)

III. COMPLIANCE COMMITTEE – Halifax Health has a Compliance Committee responsible for regulatory compliance matters, which meets monthly. Members of senior leadership across service lines as well as representatives from Hospice and the Medical Staff are represented. During the period:

	1. 14	Number of members on <i>Compliance Committee</i>
	2. 71.4%	% of members who attended the meeting (On Target at 70% or Greater) – meeting date 11/1/17
	3. 3	Number of meetings in the last quarter (On Target if 2 or more)

IV. HELP LINE [844-251-1880] or halifaxhealth.ethicspoint.com

	1. 8 / 58	Number of Help Line calls received during month/past 12 months
	2. 6 / 36	Of calls in 1, how many related to Human Resource issues
	3. 0	Number of open Help Line calls rated as High Priority as of 10/31/2017
	4. 0	Number of open Help Line calls rated as High Priority as of 11/30/2017
	5. 5	Number of Help Line calls closed since last month

V. COMPLIANCE ISSUES

	1. 19	Number of issues open as of 10/31/2017
	2. 6	Of the issues in item 1, ___ remain open as of 11/30/2017
	3. 13	Number of issues from item 1 closed as of 11/30/2017
	4. 68%	Percent of open issues from item 1 closed (On Target at 25% or Greater)

VI. COMPLIANCE POLICIES – Halifax Health’s Compliance Program involves the development, implementation and monitoring of policies to ensure the organization conducts business compliant with applicable statutes, rules and regulations. During the period:

	1. 1	Number of Compliance Policies reviewed/ updated in the last month (On Target at 1)
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VII. BILLING AND CODING REVIEWS - Halifax Health will conduct reviews as part of scheduled audits or to investigate concerns brought to the attention of the Compliance Committee or the Compliance Officer.

	1. 1	Number of concerns related to billing/coding received during the month
	2. 0	Number of concerns from #1 that required a billing/ coding review
	3. 0	Number of reviews from #1 still being investigated
	4. 0	Number of reviews from #1 closed or pending Committee review
	5. 0	Number of reviews from #1 expected to require repayment/processing of claims

¹ Code of Conduct Attestation – employees and vendors who meet the definition of a *Covered Person* and new Board Members.

² CIA Required Training – employees (except for housekeeping, maintenance and foodservice employees), Medical Staff who are party to a *Focus Arrangement* and vendors who meet the definition of a *Covered Person* and new Board Members.

³ Sanction Check for Covered Persons - employees, Medical Staff and vendors who meet the definition of a *Covered Person*.



HALIFAX HEALTH

To: Audit and Finance Committee and Board of Commissioners
Cc: Jeff Feasel, Chief Executive Officer
From: Shelly Shiflet, Vice President and Chief Compliance Officer
Date: November 20, 2017
Re: Compliance Dashboard Report for the month ended October 31, 2017

Enclosed is the Compliance Program Dashboard Report for October 2017.

Feel free to contact the Board's Compliance Expert, Robert Wade, Esq., or me regarding any questions on this report.

Mr. Wade can be reached at: rwade@kdlegal.com
Office: 574.485.2002

I can be reached at: shelly.shiflet@halifax.org
Office: 386.425.4970

Recommended Action: None. Information only.

Halifax Health
Corporate Compliance Program
Board Report – 10/31/2017

ON TARGET

ALERT

I. EMPLOYEE AND BOARD EDUCATION – Halifax Health’s compliance program and Corporate Integrity Agreement requires most employees to acknowledge the Code of Conduct within 30 days of hire. Employees who are considered “Covered Persons” are required to complete 1 hour of general compliance training within 30 days of hire and annually thereafter. Managers and others who are considered “Arrangements Covered Persons” must complete an additional hour of general education and 2 hours of arrangements training within 30 days of becoming an “Arrangements Covered Person,” and annually thereafter. Members of the Board are required to complete 6 hours (2 hours general, 2 hours arrangements, and 2 hours governance) of training within 30 days of becoming a member. The following is the status of education for Halifax Health’s employees:

	➤	Code of Conduct Attestation¹
	1. 4,240	Number of Covered Persons and Board Members required to complete as of end of period
	2. 100%	% of Covered Persons who have completed (On Target at 100%)

	➤	CIA Required Training²
	1. 4,087	Number of Covered Persons and Board Members required to complete as of end of period
	2. 100%	% of Covered Persons who have completed (On Target at 100%)

II. SANCTION CHECKS - Halifax Health’s Corporate Integrity Agreement requires all “Covered Persons” be screened for exclusions from participation in federal programs monthly. During the period:

	➤	Sanction Check for Covered Persons³
	1. 5,005	Number of Covered Persons as of the end of the period
	2. 100%	% of Covered Persons above who had no sanctions, based on monthly sanction check results (On Target at 100%)

III. COMPLIANCE COMMITTEE – Halifax Health has a Compliance Committee responsible for regulatory compliance matters, which meets monthly. Members of senior leadership across service lines as well as representatives from Hospice and the Medical Staff are represented. During the period:

	1. 14	Number of members on <i>Compliance Committee</i>
	2. 78.6%	% of members who attended the meeting (On Target at 70% or Greater) – meeting date 9/27/17
	3. 3	Number of meetings in the last quarter (On Target if 2 or more)

IV. HELP LINE [844-251-1880] or **halifaxhealth.ethicspoint.com**

	1. 3 / 59	Number of Help Line calls received during month/past 12 months
	2. 3 / 38	Of calls in 1, how many related to Human Resource issues
	3. 0	Number of open Help Line calls rated as High Priority as of 9/30/2017
	4. 0	Number of open Help Line calls rated as High Priority as of 10/31/2017
	5. 7	Number of Help Line calls closed since last month

V. COMPLIANCE ISSUES

	1. 24	Number of issues open as of 9/30/2017
	2. 8	Of the issues in item 1, __ remain open as of 10/31/2017
	3. 16	Number of issues from item 1 closed as of 10/31/2017
	4. 67%	Percent of open issues from item 1 closed (On Target at 25% or Greater)

VI. COMPLIANCE POLICIES – Halifax Health’s Compliance Program involves the development, implementation and monitoring of policies to ensure the organization conducts business compliant with applicable statutes, rules and regulations. During the period:

	1. 1	Number of Compliance Policies reviewed/ updated in the last month (On Target at 1)
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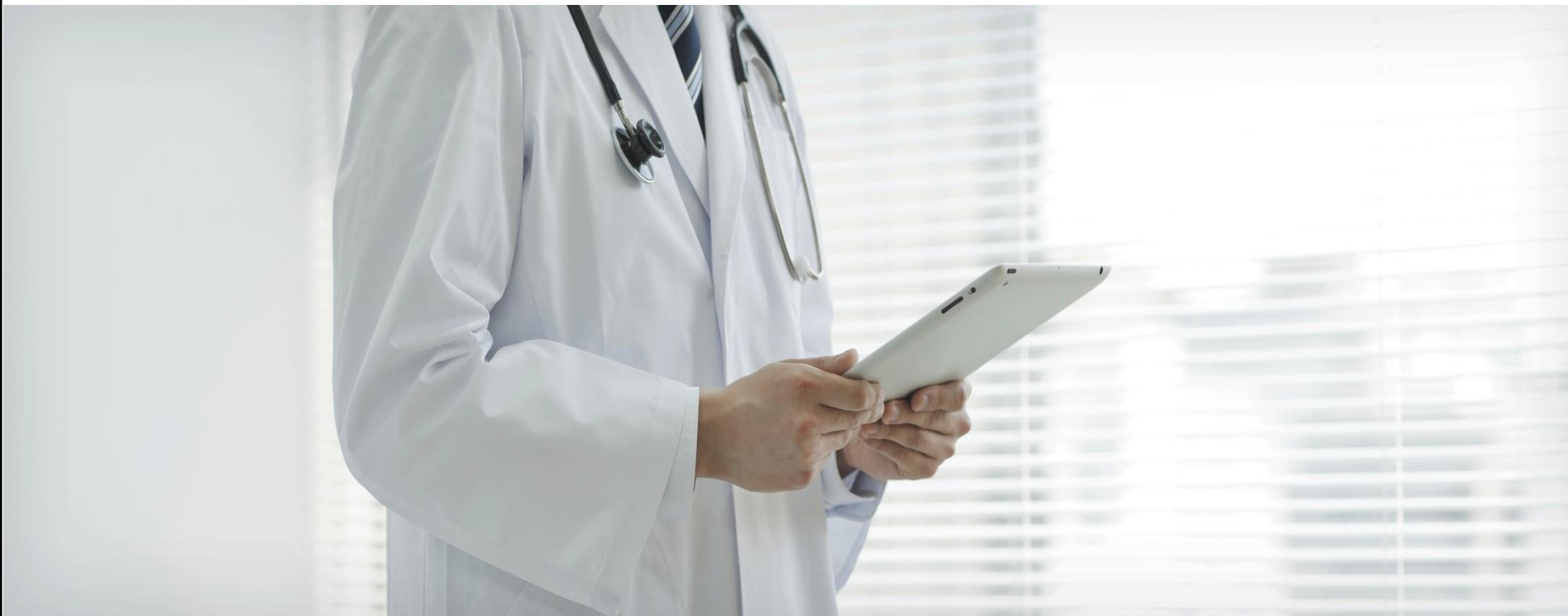
VII. BILLING AND CODING REVIEWS - Halifax Health will conduct reviews as part of scheduled audits or to investigate concerns brought to the attention of the Compliance Committee or the Compliance Officer.

	1. 0	Number of concerns related to billing/coding received during the month
	2. 0	Number of concerns from #1 that required a billing/ coding review
	3. 0	Number of reviews from #1 still being investigated
	4. 0	Number of reviews from #1 closed or pending Committee review
	5. 0	Number of reviews from #1 expected to require repayment/processing of claims

¹ Code of Conduct Attestation – employees and vendors who meet the definition of a *Covered Person* and new Board Members.

² CIA Required Training – employees (except for housekeeping, maintenance and foodservice employees), Medical Staff who are party to a *Focus Arrangement* and vendors who meet the definition of a *Covered Person* and new Board Members.

³ Sanction Check for Covered Persons - employees, Medical Staff and vendors who meet the definition of a *Covered Person*.



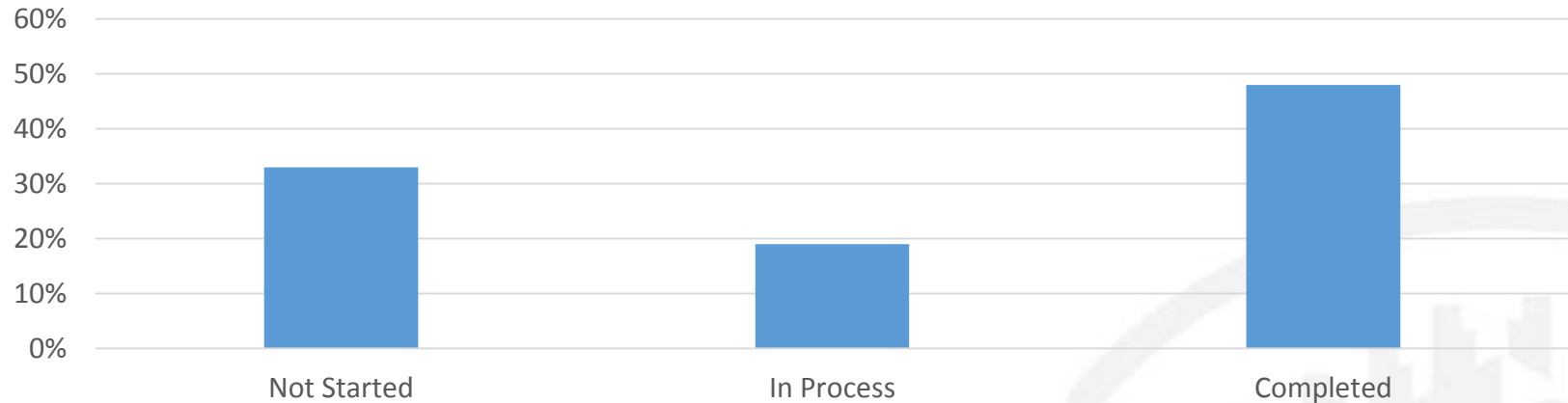
Audit Services Discussion & Analysis

Halifax Health Audit & Finance Committee

Presented January 3, 2017

For the period covering October 23, 2017 through December 26, 2017

Audit Plan: FY 17/18 Plan Status



FY Audit Plan	Internal	CoSource/External	Total Audits
Approved	11	3	14
Added	6	1	7
Cancelled	0	0	0
Revised Plan Total	17	4	21

See BoardEffect For Audit Plan Detail

Results: FY 17/18 Audit Projects

Audit Source	Project Name	Issues by Impact Level		
		High	Moderate	Low
IAS	2016 YE Audit Assistance	Completed		
Co-Source	Executive Compensation and Expenses	0	0	0
IAS	Meaningful Use Stage 2 – 2016 Validation Audit	0	0	0
IAS	Pharmacy Controls Audit	2	4	1
IAS	Diversion ROC Main Campus	1	0	0
IAS	Halifax Call Network Audit	1	4	1
Co-Source	Network Security Testing	0	2	2
IAS	2017 Interim Audit Assistance	Completed		
IAS	Cash Management Audit	2	4	1
IAS	Timekeeping Controls Audit	Reporting		
IAS	2017 YE Audit Assistance	Completed		
IAS	Purchase Services	Planning		
Co-Source	Executive Compensation and Expenses	Planning		
IAS	AP Check Printing Security Audit	Planning		

Executive Audit Summary

Local Audit Plan	Cash Collections Management Audit	Issues by Impact Level		
Objective – Assessed the controls over receipt, safeguarding, recording and reconciliation of cash.		High	Moderate	Low
Business Objectives At Risks:				
<ul style="list-style-type: none"> Timely deposit of cash receipts, safeguard of cash assets, accurate and complete accounting of cash transactions. 		2	4	1
Significant Issue(s)	<p>Analysis of cash management controls disclosed the following:</p> <ul style="list-style-type: none"> Location balance sheets with incorrect data and lack of oversight; Non-compliance to PHI and PCI regulations; Cash transfers not being tracked and deposited timely; and Cashier accessing own and an associate patient account. 			
IAS Conclusion	<p>The level of control surrounding the cash collection process varies within Halifax Hospital. Deficiencies were noted with regard to monitoring, documentation and the safeguarding of assets. Management has committed to improving Associate education and the design and operation of controls over the cash collection process.</p>			

Executive Audit Summary

Local Audit Plan

RSM – 2017 Year End Audit Assistance

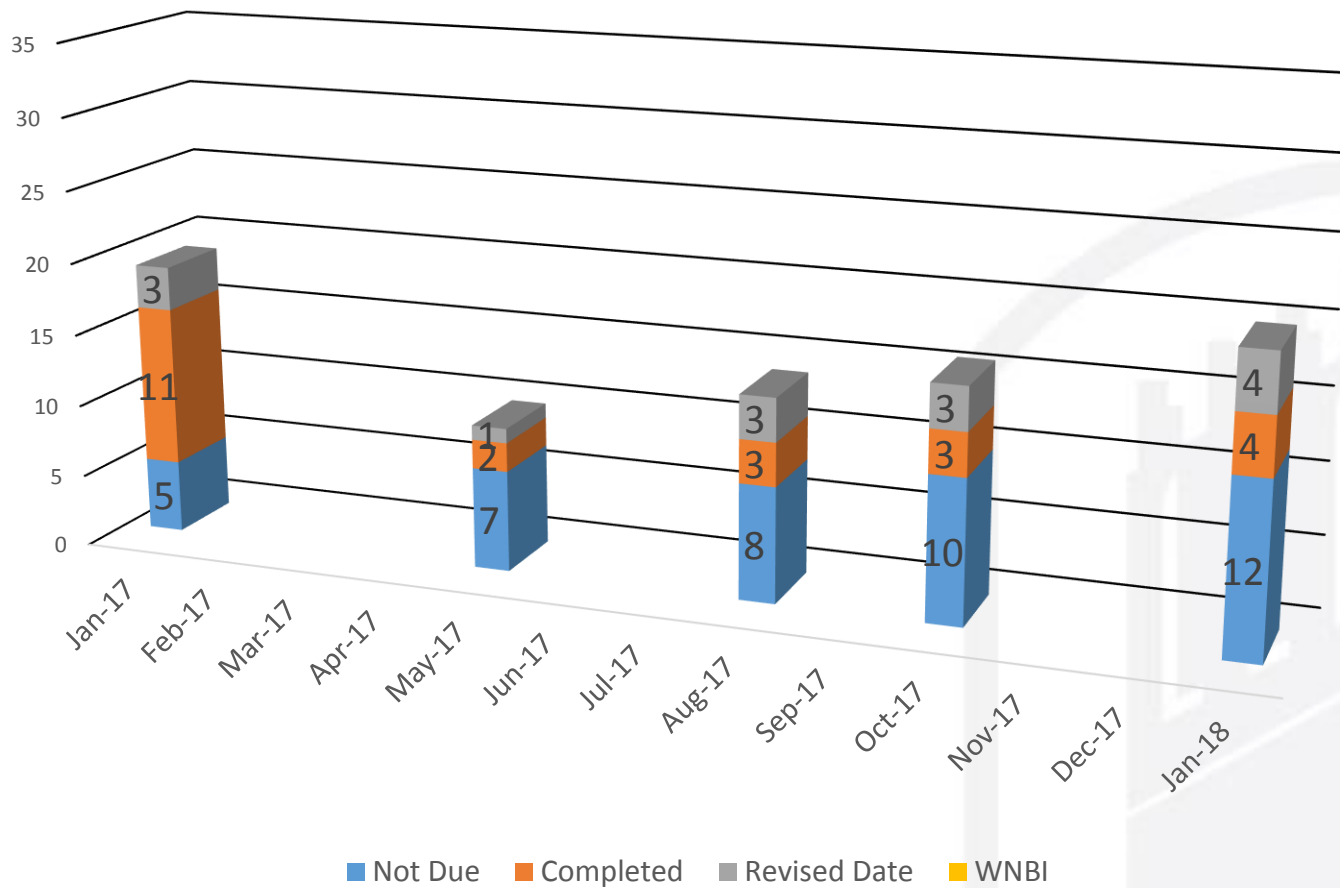
Objective – At the direction of RSM below required audit projects were performed by Internal Audit Services and delivered to the local RSM team.

1. Process walkthrough – Bill and Collect for Services
2. Process walkthrough – Processing Payroll
3. Test of Controls – Payroll
4. Test of Controls – Accounts Receivable and Revenue Recognition
5. Test of Controls – Hospice Accounts Receivable and Revenue Recognition
6. Special Project – Update Department Narratives

Estimated expense savings to Halifax Hospital was \$42K dollars

Audit Follow-Up

Audit Issue Follow-Up: Status of Management Action Plans



See BoardEffect for Audit Follow Up Detail.

**AUDIT ACTION PLAN(S)
OPEN STATUS REPORT
HALIFAX HEALTH**

Audit	Findings	Actions Management Will Take	Action Plan Owner	Action Plan Due Date*	Risk Rank
Meditology Security Risk Assessment Report Date: 11/30/15	Issue 6.7: Vulnerability Management A formal, documented policy with supporting procedures for managing and tracking IT assets including servers, workstations, network devices, mobile devices, software, and other assets does not exist. Application patching (e.g., Java, Adobe) is not incorporated into routine patching cycles. NOTE: Some applications such as Kronos, will not allow patching of Java or Adobe.	An asset management policy supported by detailed procedures should be developed that defines processes, responsibilities, and objectives for identifying and maintaining an asset inventory of both hardware and software. HH Specific Action: Create P&Ps for asset management. Need to document what we currently do. Application vulnerabilities including Java and Adobe are common sources for system compromise via attacks that leverage malware, phishing, and other malicious tactics. Incorporate application patching processes into routine patch management procedures and standards. An exception process should be developed and documented if patching cannot be performed on all applications. HH Specific Action: Implement Application Patch Management solution.	Tom Stafford, VP & Chief Information Officer	6/30/2017 Revised 6/30/18	Medium
Meditology Security Risk Assessment Report Date: 11/30/15	Issue 6.11 Access Control Routine user access reviews (e.g., access re-certifications) are not performed to ensure access to systems containing PHI and other sensitive information remains appropriate over time. Multi-factor authentication is not required for remote access users. Although the IT department has processes for revoking user access upon termination in place, user accounts for terminated employees are not revoked within an appropriate time period. NOTE: IT relies on communication from HR department to revoke access.	Periodically revalidate user access permissions to PHI and other sensitive information to ensure access is appropriate based on job function and business need. HH Specific Action: Implement role based access with annual reviews by Managers. Configure all remote access connections to require two-factor authentication, such as a hardware token or digital certificate. Where two-factor authentication is not possible, implement more restrictive access controls to reduce the risk associated with insecure configurations. HH Specific Action: Evaluate, determine if it will work for Physicians, purchase and implement 2-factor authentication for remote access. Design processes in conjunction with HR department to ensure that user accounts are disabled or removed for all users upon termination. A user re-validation should be conducted quarterly as a secondary opportunity to identify access for terminated users that may have been missed or overlooked. HH Specific Action: Possibly need to establish the process for a report of team member with 0 hours to be sent to HR. HR would review and follow up with management. Terminations would be entered as appropriate.	Tom Stafford, VP & Chief Information Officer Kim Fulcher, VP & Chief Human Resources Officer	3/31/2017 Revised 12/31/18	Medium
Pharmacy Controls Audit Report Date: 5/8/17	Issue 3: Inadequate Inventory Controls Over HBS Day Treatment Drugs • HBS Day Treatment Center did not have documented policies and procedures for managing the receipt, inventory and return of HBS day treatment medications. • Internal Audit's walkthrough of the HBS Day Treatment Drug inventory disclosed the following controls were missing: - Guardian's sign off for patient medications returned; - Medication log aligned with HBS processes; - Medications verified by Pharmacy; - An inventory retention limit or return period; and - Periodic inventory counts and reconciliations; □	• HBS Director and Pharmacy will develop Day Treatment procedures for patient medications. Procedures will include: - Obtaining the guardian's sign off for receipts & returns; - Record of medications received and returned; - Verify medication receipts with Pharmacy; - An inventory retention limit; - Periodic inventory counts; - Record of medications administered; - A Log aligned with managing day treatment. • Staff will be trained on procedures. Expected Deliverable Due Date: 8/14/17 • Copies of procedures and documents to address control gaps. • Internal Audit will perform limited testing to assess new processes. □	James Terry - Director, Service Line Psychology Dominick Damiani - Pharmacy Director	9/1/2017 Revised 1/30/18	Medium

AUDIT ACTION PLAN(S) OPEN STATUS REPORT HALIFAX HEALTH					
Halifax Health Call Network Audit Report Date: 8/15/17	ISSUE 1: Segregation of Duties Was Missing Because Of Incorrect TriZetto User Access • Supervisor and Accountant had the ability to add Providers, adjudicate claims and approve the check register. • Two Claim Examiners and a Provider Relations Representative had the ability to add Providers and adjudicate claims.	Management to restructure staff and segregate tasks for the purposes of identifying issues when they occur. Expected Deliverable Due Date: 12/15/17 Signon Restriction Listing report reflecting segregation of duties.	Bob Williams-Director, Population Health Business Development	12/29/2017 Revised 3/30/18	High
Halifax Health Call Network Audit Report Date: 8/15/17	ISSUE 2: Claims Were Incorrectly Adjudicated Or Not Supported by Terms Internal Audit Service's review of 38 claims for appropriate adjudication and reimbursement disclosed issues with six (16%) claims. The following issues were identified: • Two (5%) Physician claims with deleted 2009 Medicare CPT codes were reimbursed instead of held for incorrect billing. Terms required the Providers to be reimbursed at a percentage of the 2016 Medicare Fee Schedule. Net overpayments were approximately \$140.00. • A Physician claim was auto adjudicated at "lesser of bill charges." HCN terms stated reimbursement at a percentage of the Medicare Fee Schedule and did not include lesser of language. Net underpayment was approximately \$109.00. • Internal Audit Service was unable to verify if VHN appropriately processed three Gastroenterologist claims. Terms stated Physician reimbursement at 100% of the rate designated by the Compensation Committee. However, VHN and the Committee didn't have documentation to support the designated rate of 80% loaded into TriZetto's rate maintenance file.	• VHN will work with TriZetto to research solutions to improve the quality of Medicare fee schedule loads and to auto adjudicate claims without lesser of language. Results of VHN and TriZetto efforts to improve Physician reimbursement will be reported to SVP & Chief Revenue Officer. (BW) • VHN will research and correct over/underpayments. (BW) • Compensation Committee will send a memo with the approved IMAC reimbursement rate to VHN. (AL) Expected Deliverable Due Date: 12/15/17 • VHN management report to Arvin Lewis concerning process improvements. • TriZetto screen shots of correct Physician payments. • Copy of the memo with approved IMAC rate from Compensation Committee to VHN. • Internal Audit will perform limited testing to assess enhanced adjudication processes.	Arvin Lewis-SVP & Chief Revenue Officer Bob Williams-Director, Population Health Business Development	12/29/2017	Medium
Network Security Testing Report Date 8/24/17	ISSUE 1: Confidential	Action Plan is Confidential	Tom Stafford, VP & Chief Information Officer	12/28/2018	Low
Network Security Testing Report Date 8/24/17	ISSUE 2: Confidential	Action Plan is Confidential	Tom Stafford, VP & Chief Information Officer	12/28/2018	Medium
Network Security Testing Report Date 8/24/17	ISSUE 3: Confidential	Action Plan is Confidential	Tom Stafford, VP & Chief Information Officer	12/28/2018	Low
Network Security Testing Report Date 8/24/17	ISSUE 4: Confidential	Action Plan is Confidential	Tom Stafford, VP & Chief Information Officer	12/28/2018	Medium



**AUDIT ACTION PLAN(S)
OPEN STATUS REPORT
HALIFAX HEALTH**

Cash Collections Management Audit Report Date 12/20/17	<p>ISSUE 1: Physician Offices Do Not Have Proper Controls Over Cash Collection Processes</p> <ul style="list-style-type: none"> • New Smyrna Beach - Cashier credited \$85 dollars in co-pays to her own and an Associate accounts receivable (AR) balance. Although this was the Physician and not Halifax Health's AR Balance, Cashiers are never permitted to access their own or an Associate's account. - Supervisor and Cashier prepared four (80%) Balancing Sheets two to six days after patient collections. Sheets included incorrect receipt amounts and processing dates, missing check documentation and one incorrect bank deposit totaling \$85 dollars. - The cash bank, totaling \$179 dollars, was located in an unlocked drawer. • Care for Women - The cash bank was stolen and has not been replenished. - Cashier prepared and Supervisor approved the Cashiering Balancing Sheet without an opening count of the cash bank. - Supervisor and Cashiering Balancing Sheet submitted to Accounting seven days after completion. - Management did not recall or document changing the combination to the safe. Safe secured pending cash deposit transfers to the Cashiering Office. • Neurosurgery - Six (55%) Supervisor and Cashiering Balancing Sheets submitted to Accounting two to five days after completion. - Two (18%) cash deposits, totaling \$88 dollars, transferred to the Cashiering Office two and nine business days after the Supervisor Prepared the Daily Balancing Sheet. - Ten (91%) Supervisor Daily Balancing Sheets were missing the default date and attestation statement. • Urgent Care - Cashier prepared and Supervisor approved five (100%) Cashiering Balancing Sheets without an opening count of the cash bank. - Supervisor and Cashiering Balancing Sheets submitted to Accounting two to five days after completion. - Management did not recall or document changing the combination to the safe. Safe secured \$200 cash bank and pending cash deposit transfers to the Cashiering Office. 	<ul style="list-style-type: none"> • Supervisors and Cashiers will receive additional Cash Balancing training that includes proper patient collections and adjustments. • A lock box or a lock for the desk drawer will be obtained for NSB Primary Care Office. • Leadership will monitor department cash balancing progress by conducting monthly audits. Issues will be addressed with Associates for the purposes of corrective action. • Safe combinations will be changed biannually or when an Associate with knowledge of the combination leaves. • Care for Women Cash Bank will be replenished to \$50 dollars. 	Shanie Foster, Director of Physician Services Matthew Hoffman, Director of Specialty Services	2/28/2018	High
Cash Collections Management Audit Report Date 12/20/17	<p>ISSUE 2: Emergency Departments Do Not Have Proper Controls Over Cash Collection Processes</p> <ul style="list-style-type: none"> • Cashiers documented nine credit card payments on "yellow slips" instead of processing the payment directly to Meditech. Slips contained patients' card numbers, security codes and expiration dates. (PO) • Cashiers voided three patient transactions totaling \$350 dollars without Supervisor approval. (Main, PO) • Supervisors and Cashiers prepared four (40%) Daily Balancing sheets or deposits two to seven days after patient collections. This included an unsigned Cashiering Balancing Sheet. (Deltona, Main, PO) • Departments did not document cash collections for four days or 177 patient visits. (Deltona, PO) • Management did not recall or document changing combinations to the safes. Safes secured pending cash deposit transfers to the Cashiering Office. (Main, PO) 	<ul style="list-style-type: none"> • Yellow Slips will be removed from ED areas to prevent non-compliance with PHI and PCI regulations. • Cashiers and Supervisors will receive additional Cash Balancing training that includes proper patient collections and adjustments and protecting patient information. • Manager will monitor department cash balancing progress by conducting monthly audits. Issues will be addressed with associates for the purposes of corrective action. • Safe combinations will be changed biannually or when an Associate with knowledge of the combination leaves. 	Angela Boite, Manager Patient Access Services	2/28/2018	
Cash Collections Management Audit Report Date 12/20/17	<p>ISSUE 3: Port Orange Thrift Does Not Have Proper Controls Over Cash Collection Processes</p> <ul style="list-style-type: none"> • Cash deposits to CHASE Bank exceeded \$1k dollars and are processed by Associates and not a formal courier service. • Three register drawers with \$100 dollar balances each are missing supervisor keys and are unlocked. • Management did not recall or document changing the combination to the safe. Safe secured up to \$2K dollars in cash banks, bank deposits and a change fund. • There are no security cameras. Retail stores are viewed as a high risk for theft and should have multiple physical controls such as alarms, safes and cameras. • IAS was unable to test for timeliness because Cash Balancing Reports were missing date fields. 	<ul style="list-style-type: none"> • Leadership will research courier services for the purposes of transferring cash to CHASE. • Keys will be obtained and registers will be locked at all times. • Safe combinations will be changed annually or when an Associate with knowledge of the combination leaves. • Leadership will research the cost/benefit of cameras for Port Orange Thrift and other stores. • Cash Balancing Reports will be updated to include dates. 	Anthony Trovato, Director Halifax Hospice Administration	3/30/2018	

**AUDIT ACTION PLAN(S)
OPEN STATUS REPORT
HALIFAX HEALTH**

Cash Collections Management Audit Report Date 12/20/17	ISSUE 4: Oncology Offices Do Not Have Proper Controls Over Cash Collection Processes <ul style="list-style-type: none"> Supervisors and Cashiers prepared 27 (90%) Daily Balancing Sheets three to 16 days after patient collections. Further, sheets were missing opening cash balances completion dates and/or attestations. (Main, Ormond, PO) Four (28%) cash deposits, totaling \$490 dollars, transferred to the Cashiering Office before Supervisor approval. (Main) Management did not recall or document changing the combination to the safes. Safes secured multiple cash banks totaling \$275 dollars and pending cash deposit transfers to the Cashiering Office. (Main, Ormond, PO) 	<ul style="list-style-type: none"> Supervisors and Cashiers will receive additional Cash Balancing training that includes cash balancing documentation, timely cash transfers and proper secondary review. Manager will monitor department cash balancing progress by conducting monthly audits. Issues will be addressed with associates for the purposes of corrective action. Safe combinations will be changed biannually or when an Associate with knowledge of the combination leaves. 	Angela Bolte, Manager Patient Access Services	2/28/2018	
Cash Collections Management Audit Report Date 12/20/17	ISSUE 5: Dietary Does Not Have Proper Controls Over Cash Collection Processes Analysis of Dietary's cash management controls disclosed the following: <ul style="list-style-type: none"> Seven (70%) cash deposit bags totaling \$2K dollars were delivered to the Cashiering Office two to four days after collections. (Main, PO) Cafeteria associates did not document the reason for six "canceled" point of sale transactions. Procedures require the Cashier to document on the balancing receipt their reason for a point of sale adjustment. (Main, PO) IAS was unable to test for timeliness because Cash Balancing Reports were missing date fields. (Main, PO) 	<ul style="list-style-type: none"> The Cash Handling Policy will be updated to state Balancing Reports and cash deposits to be delivered to Accounting and Cashiering Office within one business day of collections. Supervisors and Cashiers will receive additional Cash Balancing training that includes cash balancing documentation and timely cash transfers. We will update the Cash Balancing Report to include date fields for the purposes of documenting when Cashier and Supervisor complete their work. 	Theresa Massie, Food and Nutrition Manager	2/28/2018	
Cash Collections Management Audit Report Date 12/20/17	ISSUE 6: Cash Office Does Not Have Proper Controls Over Cash Collection Processes <ul style="list-style-type: none"> Supervisor reviewed and approved five (100%) Daily Balancing Sheets five to nine days after the Cashiering Balancing Sheet was completed. Management did not recall or document changing the combination to the safe. Safe secured \$150 dollar cash bank and pending cash deposit transfers to the Cashiering Office. 	<ul style="list-style-type: none"> Supervisors will receive additional Cash Balancing training. Manager will monitor department cash balancing progress by conducting monthly audits. Issues will be addressed with associates for the purposes of corrective action. Safe combinations will be changed biannually or when an Associate with knowledge of the combination leaves. 	Angela Bolte, Manager Patient Access Services	2/28/2018	
Cash Collections Management Audit Report Date 12/20/17	ISSUE 7: System Cash Procedures Were Missing Controls Or Needed Updated <ul style="list-style-type: none"> Florida Health's courier service did not issue receipts or sign department logs documenting the pick-up and transfer of cash. Accounting did not date stamp the receipt of Department Cash Balancing Reports. Testing disclosed thirty (37%) reports were not date stamped. The Petty Cash Funds Policy was last revised in 2012 and not properly formatted. Policy development requires review at least once every three years and to be formatted on the Event Management System template. 	<ul style="list-style-type: none"> Leadership is negotiating a new courier agreement where the vendor electronically tracks shipments. (GM) We feel this is an isolated issue caused by recent staff changes. New associates have been trained to date stamp receipt of Department Cash Balancing Reports. The Petty Cash Fund Policy will be updated on the required Halifax Health procedures template. 	Gary Meredith, Director Operations Lisa Tyler, Corporate Controller	4/13/2018	

Recommended Committee Action

The following items need Committee approval:

- Cash Collections Management Audit
- Summary of Audit Follow-Up Report

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HALIFAX HEALTH

2017 Summary of Audit Results



January 3, 2018





January 3, 2018

To the Audit Committee
Halifax Health
303 N. Clyde Morris Blvd.
Daytona Beach, Florida 32114

We are pleased to submit the enclosed update with regard to our 2017 audits for Halifax Health (Halifax). At your August meeting, we presented our 2017 Audit Plan and since the meeting, we have concluded our planning, interim and final fieldwork audit procedures. For this presentation, we have used this document to provide an overview of the status of our audits. If you have any questions, please feel free to contact us. We look forward to issuing our final audit opinions and our required communications and other related reports prior to January 12, 2018.

Sincerely,

RSM US LLP



Ryan Weber, Partner
563 888 4081



Brandon Slauter, Senior Manager
407 581 3572



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Summary of Status as of January 3

- We have completed our planning, interim and final fieldwork related to the audits of:
 - The Halifax Hospital Medical Center financial statements, including a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*
 - The Halifax Hospice, Inc. financial statements
- Our audits excluded the financial statements of Halifax Pension Plan which were audited by other auditors
- Review of the audit work performed by the team has been substantially completed
- We have certain audit wrap up procedures underway including performing our “keeping current” activities

Summary of Status as of January 3 - Continued

- There were two post-closing adjustments during the course of the audit that impacted change in net position
- We received full cooperation from management in conducting our audits and would like to thank the management team and internal audit services for their full support throughout the process
- We have identified certain internal control and business observations as part of the audit
- We have performed our initial reviews of the financial statements and will work with management to complete and issue the final versions in the coming week
- Concurring partner review is currently in process
- We anticipate issuing unqualified opinions on the financial statements

Required Communications

- Our responsibilities in relation to the financial statement audit under generally accepted auditing standards
- Our approach to internal control and the areas where we relied on tests of controls:
 - Payroll
 - Accounts receivable and revenue
- Fraud, illegal acts and violations that result in a material misstatement – **NONE**
- Circumstances or events that create considerable doubt about the entity's ability to continue as a going concern – **NONE**
- Consultations with other accountants by management – **NONE** other than James Moore & Co. who audited the Pension Plan

Required Communications - Continued

- Significant estimates:
 - Accounts receivable allowances
 - Third-party settlements
 - Self-insurance reserves
 - Interest rate swap valuation
 - Net pension liability
 - Other postemployment benefit obligations
 - Contingent liabilities
- Non-audit services provided by RSM – IT Penetration Testing
- Representations requested of management

Required Communications - Continued

- Disagreements with management - **NONE**
- Significant difficulties encountered in performing the audit - **NONE**
- Substantial matters discussed with management and unusual and/or infrequent transactions – **We discussed with management the proper accounting for service cost for active employees in the defined benefit pension plan. See the following pages for further details.**
- Audit adjustments – **There was one audit adjustment identified by the engagement team related to total pension liability. The adjustment reduced total liabilities by approximately \$18 million and increased beginning net position by approximately \$19 million.**
- Uncorrected misstatements – **There was one uncorrected misstatement identified by the engagement team related to the timing of billing of charges related to fiscal year 2017. The misstatement would increase net income by approximately \$1.1 million after reversal of 2016 late charges posted in 2017.**

Required Communications - Continued

Defined Benefit Pension Plan Restatement

Facts:

- Effective October 1, 2013, the defined benefit pension plan was frozen
- As applied by Halifax's actuaries, the cost method had attributed service costs only through the period ending October 1, 2013 since plan benefits had been frozen at that date

Accounting Guidance:

- Although silent as to the specific treatment of frozen plans, GASB Statement No. 68 is to be interpreted that, **regardless of whether the plan has frozen accruals**, a service cost will be calculated each year for every active participant, up through retirement (see next slide for excerpt from GASB Statement No. 68)

Required Communications - Continued

Accounting Guidance – Continued:

- Paragraph 32(d) of GASB 68 says: “The service costs of all pensions should be attributed through all assumed exit ages, through retirement.” Paragraphs 250-252 of GASB 68 appear to require the use of a single (EAN) cost method – that is, with no variations. Q&A #68 from the GASB 68 implementation guide says:

68. Q—If benefit terms include a cap on employees’ service credit that is not part of a DROP, should a portion of the actuarial present value of projected benefit payments be attributed to only those periods in which an employee is expected to earn service credit, or should the attribution period include all periods within an employee’s projected working lifetime?

A—The exchange of benefits for services generally is viewed as related to an employee’s entire career. Therefore, the attribution period should include all periods of an employee’s projected service for the employer, regardless of whether additional service credit is expected to be earned.

Required Communications - Continued

Conclusions:

- Given the lack of explicit guidance related to frozen plans in GASB Statement No. 68, RSM national office personnel contacted GASB staff who indicated that since frozen plans are not specifically addressed in this guidance, it is expected the service cost should be recorded the same as active plans.
- This treatment would spread out the service costs over a longer period of time, which results in a lower Total Pension Liability.
- As a result, the net position as of 10/1/16 was restated as follows (in thousands):

September 30, 2016 Net Position, as previously reported	\$282,676
Decrease in net pension liability	<u>\$18,650</u>
September 30, 2016 Net Position, as restated	\$301,326

Risk Areas

- There were no significant changes to our audit plan and identified risks that we discussed in August. Therefore, we focused on the following:
 - Patient accounts receivable and revenue, including allowances
 - Third-party payor settlements and valuation allowances
 - Investment valuation accounting and disclosure
 - Long-term debt:
 - Compliance with covenants
 - Accounting for interest rate swap
 - Employee benefit obligations, including pension liability

Risk Areas - Continued

- Self-insurance liabilities
- Commitments and contingencies:
 - Legal claims and reserves
- Internal control documentation and testing
- Information system general computer controls understanding
- Financial statement close process, including disclosures
- Consideration of Fraud in a Financial Statement Audit
(Statement of Auditing Standards No. 99)

Use of Internal Audit

- Internal auditors are employees and thus not completely independent:
 - Re-performed testing performed by internal audit
- Insights provided by internal audit:
 - We reviewed reports prepared by internal audit during current year
 - Internal audit findings were considered in the development of our audit plan
- Assistance provided by internal audit:
 - Patient accounts receivable and revenue existence testing
 - Payroll test of controls, attribute testing & walkthrough procedures

Internal Control Deficiencies and Other Recommendations

- Material Weakness:
 - Proper application of the requirements of GASB Statement No. 68 in terms of service costs recognition
- Control Deficiencies:
 - Timing of recording of late charges in revenue
 - One IT observation was noted to bring the Organization up to “best practice” status

Pending Accounting Standards

- Pending Accounting or Auditing Standards to be Adopted in Future Periods:

- GASB Statement No. 75:

- Effective for year ending September 30, 2018
- Requires expanded disclosures and recording of a liability on the statement of net position for the other post-employment benefits provided

- GASB Statement No. 87:

- Effective for year ending September 30, 2021
- Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases

Next Steps

- Complete final concurring partner reviews of audit documentation (RSM)
- Review and approval of draft financial statements by the Board of Commissioners (Management)
- Final review of all financial statement drafts (RSM & Management)
- Update inquiries of all attorneys (RSM)
- Update inquiries of management regarding potential subsequent events and commitments and/or contingencies (RSM & Management)
- Update inquiries of James Moore & Co. and obtain representations from them (RSM)
- Obtain representations from management (Management)
- Issuance of final audit reports before January 12, 2018

Contact Information

Name	Title	Engagement Responsibility	Contact Phone	E-mail Addresses
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QUESTIONS AND ANSWERS?



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Halifax Hospital Medical Center d/b/a Halifax Health

Financial Report
September 30, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Halifax Hospital Medical Center d/b/a Halifax Health ("Halifax Health"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Halifax Health's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2017, as presented on pages 16 – 17, which represent 100% of the total assets and additions of the aggregate remaining fund information. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Halifax Health as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the net position as of October 1, 2016, has been restated to correct net pension liability that was recorded at incorrect amounts. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 – 10 and the required supplementary information on pages 50 – 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Halifax Health's basic financial statements. The accompanying Obligated Group financial information on pages 56 – 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Obligated Group financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit the Obligated Group financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated [opinion date], on our consideration of Halifax Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Halifax Health's internal control over financial reporting and compliance.

Davenport, Iowa

[opinion date]

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Halifax Hospital Medical Center d/b/a Halifax Health ("Halifax Health"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Halifax Health's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2017, as presented on pages 16 – 17, which represent 100% of the total assets and additions of the aggregate remaining fund information. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Halifax Health as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the net position as of October 1, 2016, has been restated to correct net pension liability that was recorded at incorrect amounts. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 – 10 and the required supplementary information on pages 50 – 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Halifax Health's basic financial statements. The accompanying Obligated Group financial information on pages 56 – 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Obligated Group financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit the Obligated Group financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Davenport, Iowa

[opinion date]

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017**

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, 2017. This analysis should be read in conjunction with the accompanying basic financial statements.

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

The Medical Center owns and operates three inpatient hospital facilities under one license. The main campus of the Medical Center, located in Daytona Beach, is the inpatient referral center which includes a Level II neonatal intensive care center and a Level II state-certified trauma center, offering open-heart surgery, neurosurgery, inpatient rehabilitation and other specialty inpatient and outpatient services. The Port Orange campus, located ten miles south of the main campus, is a community hospital providing a broad range of services to the residents of Port Orange and southeast Volusia County. The Halifax Behavioral Services (HBS) campus, two miles north of the main campus, provides inpatient and outpatient child, adolescent, and adult psychiatric services. The Medical Center is licensed by the Agency for Health Care Administration (AHCA) to operate with 678 beds and 33 bassinets. The licensed beds by location are set forth in the table below:

Licensed Beds by Location

Main campus:	
Inpatient hospital	528
Inpatient rehabilitation	40
Port Orange campus	80
HBS campus	30
Total	678

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

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017**

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Schedules of net position and revenues, expenses, and changes in net position for the Obligated Group are included as additional (supplementary) information. The members of the Obligated Group are the Medical Center (including certain blended component units; EVHS, Staffing, HHCSI, and PBFS) and Holdings.

Halifax Hospital Medical Center
d/b/a Halifax Health

Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017

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)

	2017	2016 (as restated)
Current assets	\$ 425,287	\$ 412,173
Assets whose use is limited, noncurrent	51,034	63,600
Capital assets, net	356,986	356,341
Other noncurrent assets and deferred outflows	88,965	109,260
Total assets and deferred outflows	<u>\$ 922,272</u>	<u>\$ 941,374</u>
Current liabilities	\$ 95,114	\$ 88,145
Long-term debt and premium on long-term debt, net	359,427	366,702
Noncurrent liabilities and deferred inflows	155,006	185,201
Total liabilities and deferred inflows	<u>609,547</u>	<u>640,048</u>
Net investment in capital assets	25,778	34,305
Restricted net position	5,856	5,850
Unrestricted net position, as restated	281,091	261,171
Total net position, as restated	<u>312,725</u>	<u>301,326</u>
Total liabilities, deferred inflows and net position	<u>\$ 922,272</u>	<u>\$ 941,374</u>

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017**

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 Statement of Revenues, Expenses and Changes in Net Position
(In thousands)**

	2017	2016 (as restated)
Operating revenue	\$ 543,899	\$ 530,666
Operating expenses	525,403	496,740
Income from operations	18,496	33,926
Nonoperating expenses	(7,097)	(4,702)
Increase in net position	\$ 11,399	\$ 29,224

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

Total assets and deferred outflows of Halifax Health decreased \$19.1 million from September 30, 2016. Current assets of Halifax Health increased \$13.1 million from fiscal year 2016 primarily as a result of an increase in cash and cash equivalents of \$4.9 million, an increase in inventories of \$2.9 million and an increase in investments of \$1.8 million. Noncurrent assets whose use is limited decreased from fiscal year 2016 by approximately \$12.6 million as a result of the decrease in trustee-held funds used for capital purchases. Capital assets, net of accumulated depreciation increased \$645,000 from 2016 primarily as a result of capital acquisitions of approximately \$22.0 million, offset by depreciation and amortization expense of \$24.0 million and disposals of certain equipment. Other noncurrent assets and deferred outflows decreased \$20.3 million from 2016 primarily due to the decrease in the value of the interest rate swap of \$12.3 million, decreases in deferred outflows related to the pension of \$6.4 million and the amortization of goodwill of \$1.3 million.

Total liabilities and deferred inflows of Halifax Health decreased \$30.5 million from September 30, 2016 due to the decrease in pension liability and the fair value of the interest rate swap liability. Current liabilities increased from fiscal year 2016 primarily as a result of an increase in current payables of \$7.0 million due to timing of payments.

Long-term debt, excluding current portion due, decreased approximately \$6.6 million from September 30, 2016 as a result of principal payments made in the year. As of September 30, 2017, 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.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017**

The decrease in noncurrent liabilities and deferred inflows of the Medical Center of \$30.2 million from fiscal year 2016 is primarily due to the decrease in the net pension liability of \$19.2 million and a decrease in the long-term value of the interest rate swap liability of \$12.3 million.

The net position of Halifax Health at September 30, 2017, was \$312.7 million, an increase of \$11.4 million from September 30, 2016. The increase is the result of a decrease in the pension liability of \$19.2 million and revenue generated from patient care and other operations of \$543.9 million offset by operating expenses of \$525.4 million and nonoperating expenses of \$7.1 million.

Operating Revenues

The increase in operating revenues of \$13.2 million over 2016 at Halifax Health is primarily the result of an increase in admissions, and new services offered. Halifax Health continues to expand the quality and continuum of services that it provides to the community.

Utilization statistics for the years ended September 30, 2017 and 2016, are as follows:

Halifax Health Utilization Statistics

	2017	2016
Medical Center Activity:		
Admissions	23,213	23,026
Patient days	137,838	133,895
Average daily census	378	366
Total outpatient visits	291,682	292,272
Observation patient day equivalents	9,504	8,832
Hospice Activity:		
Hospice patient days	201,231	201,259

Halifax Health's inpatient admissions for 2017 increased by 187 admissions compared to 2016, and patient days for 2017 increased by 3,943 (2.9%) compared to 2016. The increases in admissions and patient days led to an increase in the average daily census by 12 patients per day from the prior year. Outpatient visits for 2017 decreased by 590 compared to 2016 due to certain outpatient activity included in a joint venture with a third party.

Operating Expenses

Total operating expenses of Halifax Health increased \$28.7 million in fiscal year 2017 compared to fiscal year 2016 primarily due to increases in salaries and benefits expense of \$25.2 million and an increase supplies expense of \$8.1 million offset by decreases in purchased services of \$2.0 million. Included in operating expenses is the impact of Hurricane Matthew (October 2016) and Hurricane Irma (September 2017) in the amount of \$3.1 million. Depreciation and amortization expense decreased \$900,000 from 2016 to 2017, primarily due to assets retired from service.

Halifax Health also incurs expenses related to ad valorem taxes levied. These expenses include payments to Volusia County and the cities of Daytona Beach, Ormond Beach, Holly Hill, and Port Orange (tax collector and appraiser commissions, Medicaid matching funds, and redevelopment taxes) and the costs of non-hospital community health services (physician services, community clinics, prescription drugs, medical supplies, etc.). Ad valorem tax-related expenses were substantially the same from 2016 to 2017.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017**

Nonoperating Revenues, Expenses, Gains and Losses

Investment income decreased \$3.6 million in fiscal year 2017 compared to fiscal year 2016 as a result of increases in interest rates deducting returns on fixed income investments offset by improved performance of the equity markets. Investment income for the year ended September 30, 2017 includes unrealized gains of \$1.9 million.

KEY FINANCIAL INDICATORS

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

Key Financial Indicators

	2017	2016 (as restated)
Total margin	2.1%	5.5%
Days cash on hand	265.6	276.0
Unrestricted cash to long-term debt	103.0%	98.9%
Long-term debt to capitalization	53.9%	54.9%
Total net patient service revenue, before provision for bad debts (in millions)	\$ 588.0	\$ 557.3

The total margin decreased to 2.1% in fiscal year 2017 due to the increase in operating revenues of Halifax Health, offset by increases in operating and nonoperating expenses compared to fiscal year 2016. The number of days cash on hand, which includes investments and board designated assets whose use is limited, decreased from 276 days at September 30, 2016, to 265.6 days at September 30, 2017, due to decreases in operating revenue and cash flows during 2017. Unrestricted cash (including investments and board designated assets whose use is limited) to long-term debt increased in fiscal year 2017 from 2016 due to increases in cash and cash equivalents. Long-term debt to capitalization decreased as a result of the increase in net position at September 30, 2017 compared to September 30, 2016.

Total net patient service revenue, before provision for bad debts, increased \$30.7 million from 2016 as a result of changes in estimates relating to third party reserves, increased oncology visits, increased cardiology procedures and new services offered by the Medical Center. In April 2017 the Medical Center opened a full service 24/7 emergency department located in Deltona.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017**

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 \$61.6 million in community benefits during fiscal year 2017, which is comprised of amounts paid for community health and wellness services and the cost of uncompensated care.

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

SCHEDULE OF USES OF PROPERTY TAXES

	<u>2017</u>	<u>2016</u>
Gross property tax levy	\$ 11,252	\$ 13,252
Tax discounts and uncollectible taxes	<u>(300)</u>	<u>(345)</u>
Net property taxes collected	<u>10,952</u>	<u>12,907</u>
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	(374)	(390)
Volusia County Medicaid matching assessment	(2,920)	(2,818)
Redevelopment taxes paid to Cities	(585)	(630)
Subtotal	<u>(3,879)</u>	<u>(3,838)</u>
Net taxes available for community health, wellness and readiness	<u>7,073</u>	<u>9,069</u>
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	(1,345)	(1,309)
Physician services	(8,801)	(7,571)
Trauma services	(6,061)	(5,406)
Pediatric and neonatal intensive care services	(325)	(687)
Child and adolescent behavioral services	(602)	(616)
Subtotal	<u>(17,134)</u>	<u>(15,589)</u>
Deficiency of net taxes available to fund hospital operating expenses	(10,061)	(6,520)
Uncompensated care provided by Halifax Health, <i>at cost</i>	<u>(44,452)</u>	<u>(45,506)</u>
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, <i>at cost</i>	<u>\$ (54,513)</u>	<u>\$ (52,026)</u>

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2017**

RISK FACTORS

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

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

- Salaries in the health care industry continue to be very competitive due to increased costs of attracting and retaining quality physicians, registered nurses, and other health care professionals.
- The laws and regulations governing the Medicare and Medicaid program are complex and subject to change. As such, changes to these programs could have a negative effect on the financial performance of the Halifax Health. Audits of hospital compliance with Medicare and Medicaid program laws and regulations present exposure for repayments and fines and penalties.
- In March 2010, President Barack Obama signed the Affordable Care Act ("ACA"). The ACA was enacted to increase the quality and affordability of healthcare and lower the uninsured rate. Unsuccessful congressional efforts have been made to repeal the ACA and the following concerns continue to exist:
- The State of Florida has not approved Medicaid expansion which has constrained state funding.
- Proposed changes to the 340B drug regulations will reduce cost savings achieved by the program for Halifax Health.
- Bundled payment and value-based payment initiatives of the Medicare program may reduce net payments received by Halifax Health.
- Federal legislative efforts, both directly and via tax reform, could significantly reduce access to individual insurance coverage currently provided under the ACA.
- At the state level, the Medicaid managed care program has continued to expand and a prospective payment system for outpatient services has been implemented. These changes will limit the ability of local governments and related providers to positively affect Medicaid payment rates.
- The State of Florida Low Income Pool Program has been extended to June 30, 2022. Payments from the LIP program have been limited to the cost of charity care services provided, meaning that LIP funds are not available to offset Medicaid costs in excess of Medicaid payments.

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

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Statement of Net Position
September 30, 2017
(In thousands)**

Assets and Deferred Outflows

Current Assets:	
Cash and cash equivalents	\$ 63,423
Investments	268,485
Current assets whose use is limited – Trustee-held self-insurance funds	551
Accounts receivable, patients, net of estimated uncollectibles of \$163,875	62,459
Inventories	14,186
Other current assets	16,183
Total current assets	425,287
Noncurrent Assets Whose Use is Limited:	
Board-designated, funded depreciation	42,508
Trustee held funds	17
Restricted by donor	5,671
Board-designated, other	2,650
Restricted funds under indenture agreements for debt service	188
Depreciable Capital Assets, Net	288,420
Nondepreciable Capital Assets	68,566
Other Assets	10,963
Total assets	844,270
Deferred Outflows:	
Interest rate swap	27,176
Pension, contribution after measurement	21,060
Pension, other	10,762
Loss on refunding of debt	16,455
Goodwill, net	2,549
Total deferred outflows	78,002
Total assets and deferred outflows	\$ 922,272

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position (Continued)
September 30, 2017
(In thousands)

Liabilities, Deferred Inflows and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	\$ 55,417
Accrued payroll and personal leave time	20,959
Current portion of accrued self-insurance liability	4,736
Current portion of long-term debt	6,605
Other current liabilities	7,397
Total current liabilities	95,114

Noncurrent Liabilities:

Long-term debt, less current portion	340,165
Premium on long-term debt, net	19,262
Net pension liability	88,753
Accrued self-insurance liability, less current portion	8,594
Other liabilities	26,096
Long-term value of interest rate swap	27,176
Total liabilities	605,160

Deferred Inflows Related to Pension

	4,387
Total liabilities and deferred inflows	609,547

Net Position:

Net investment in capital assets	25,778
Restricted for debt service	185
Restricted by donors, expendable	5,427
Restricted by donors, nonexpendable	244
Unrestricted	281,091
Total net position	312,725

**Total liabilities, deferred inflows and
net position**

\$ 922,272

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, 2017
(In thousands)**

Operating Revenues:	
Net patient service revenue, before provision for bad debts	\$ 587,972
Provision for bad debts	(79,613)
Net patient service revenue	<u>508,359</u>
Ad valorem tax revenue	11,252
Other revenue	24,288
Total operating revenues	<u>543,899</u>
Operating Expenses:	
Salaries and benefits	279,710
Supplies	101,430
Purchased services	78,891
Depreciation and amortization	24,038
Ad valorem tax-related expenses	7,417
Leases and rentals	6,589
Other	27,328
Total operating expenses	<u>525,403</u>
Income from operations	<u>18,496</u>
Nonoperating Revenues (Expenses):	
Interest expense	(16,814)
Investment income – net	8,687
Donation revenue	1,014
Nonoperating losses – net	16
Total nonoperating expenses	<u>(7,097)</u>
Increase in net position	11,399
Net Position:	
Beginning net position, as restated	301,326
End of year	<u><u>\$ 312,725</u></u>

See Notes to Financial Statements.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Statement of Cash Flows
Year Ended September 30, 2017
(In thousands)**

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	\$ 502,026
Payments to employees	(297,759)
Payments to suppliers	(184,239)
Ad valorem taxes	11,671
Other receipts	38,161
Other payments	(41,444)
Net cash provided by operating activities	<u>28,416</u>
Cash Flows from Noncapital Financing Activities:	
Proceeds from donations received	1,012
Payment of notes payable	(50)
Other nonoperating expenses	14
Net cash provided by noncapital financing activities	<u>976</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(21,956)
Principal paid on long-term debt	(7,531)
Transfer to trustee-held funds	12,722
Payment of interest on long-term debt	(16,803)
Net cash used in capital and related financing activities	<u>(33,568)</u>
Cash Flows from Investing Activities:	
Realized investment income	6,802
Purchase of investments and assets whose use is limited	(11,008)
Proceeds from sales and maturities of investments and assets whose use is limited	13,205
Net cash provided by investing activities	<u>8,999</u>
Net increase in cash and cash equivalents	4,823
Cash and Cash Equivalents:	
Beginning of year	58,600
End of year	<u>\$ 63,423</u>

(Continued)

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Statement of Cash Flows (Continued)
Year Ended September 30, 2017
(In thousands)**

Reconciliation of Income from Operations to Net Cash	
Provided by Operating Activities:	
Income from operations	\$ 18,496
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation and amortization expense	24,038
Unrealized losses on investments considered operating activity	(2,206)
Provision for bad debts	79,613
Changes in assets and liabilities:	
Accounts receivable, patients	(80,828)
Inventories and other current assets	(6,190)
Other assets	(19,541)
Accounts payable and accrued liabilities	3,607
Other liabilities	11,427
Net cash provided by operating activities	\$ 28,416
Noncash Investing Activities, unrealized gains on investments and assets whose use is limited	\$ 1,886

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Fiduciary Net Position
September 30, 2017
(In thousands)

Assets:

Investments, at fair value:

Money market and mutual funds

\$ 266,359

Net position restricted for pension benefits

\$ 266,359

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, 2017
(In thousands)

Additions:

Investment results:

Appreciation in fair value of investments

\$ 20,507

Interest and dividends

5,161

Net investment results

25,668

Employer contributions

21,060

Total additions

46,728

Deductions:

Administrative expenses

74

Benefits paid directly to participants

20,439

Total deductions

20,513

Increase in net position restricted for pension benefits

26,215

Net Position Restricted for Pension Benefits:

Beginning of year

240,144

End of year

\$ 266,359

See Notes to Financial Statements.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

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

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

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

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

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.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

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.

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.

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

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

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.

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

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Preliminary Draft
for Review and Discussion Purposes Only
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Not to be Reproduced

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Net Position
September 30, 2017
(In thousands)

	Blended Component Units										Intercompany Eliminations	Halifax Health
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS		
Assets and Deferred Outflows												
Current Assets	\$ 146,946	\$ 163,666	\$ -	\$ -	\$ 226	\$ 8,331	\$ 69,398	\$ 49	\$ 36,769	\$ -	\$ (98)	\$ 425,287
Noncurrent Assets Whose Use is Limited	42,525	-	-	-	-	-	2,650	-	5,671	188	-	51,034
Capital Assets, net	299,386	21,260	-	-	60	48	18,652	3	-	17,577	-	356,986
Other Assets and Deferred Outflows	76,394	-	-	-	-	5,399	6,907	-	256	9	-	88,965
Total assets and deferred outflows	\$ 565,251	\$ 184,926	\$ -	\$ -	\$ 286	\$ 13,778	\$ 97,607	\$ 52	\$ 42,696	\$ 17,774	\$ (98)	\$ 922,272
Liabilities, Deferred Inflows and Net Position												
Current Liabilities	\$ 84,757	\$ 979	\$ -	\$ -	\$ 1,612	\$ 2,378	\$ 1,466	\$ 1,099	\$ 152	\$ 2,769	\$ (98)	\$ 95,114
Long-Term Debt, less current portion	359,427	-	-	-	-	-	-	-	-	-	-	359,427
Other Liabilities and Deferred Inflows	147,450	-	-	-	-	-	5,244	-	2,312	-	-	155,006
Total liabilities and deferred inflows	591,634	979	-	-	1,612	2,378	6,710	1,099	2,464	2,769	(98)	609,547
Net Position:												
Net investment in capital assets	(9,108)	-	-	-	-	48	18,652	3	-	16,183	-	25,778
Restricted for debt service	-	-	-	-	-	-	-	-	-	185	-	185
Restricted by donors, expendable	-	-	-	-	-	-	-	-	5,427	-	-	5,427
Restricted by donors, nonexpendable	-	-	-	-	-	-	-	-	244	-	-	244
Unrestricted	(17,275)	183,947	-	-	(1,326)	11,352	72,245	(1,050)	34,561	(1,363)	-	281,091
Total net position	(26,383)	183,947	-	-	(1,326)	11,400	90,897	(1,047)	40,232	15,005	-	312,725
Total liabilities, deferred inflows and net position	\$ 565,251	\$ 184,926	\$ -	\$ -	\$ 286	\$ 13,778	\$ 97,607	\$ 52	\$ 42,696	\$ 17,774	\$ (98)	\$ 922,272

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017
(In thousands)

	Blended Component Units										Intercompany Eliminations	Halifax Health
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS		
Operating Revenues	\$ 484,516	\$ 1,570	\$ -	\$ -	\$ 2,639	\$ 6,008	\$ 43,390	\$ 1,084	\$ 4,813	\$ 2,881	\$ (3,002)	\$ 543,899
Operating Expenses, before depreciation and amortization	195,780	96	232,638	23,973	3,546	3,049	43,432	1,164	628	61	(3,002)	501,365
Depreciation and Amortization	21,590	832	-	-	6	6	804	1	-	799	-	24,038
Total operating expenses	217,370	928	232,638	23,973	3,552	3,055	44,236	1,165	628	860	(3,002)	525,403
Income (loss) from operations	267,146	642	(232,638)	(23,973)	(913)	2,953	(846)	(81)	4,185	2,021	-	18,496
Nonoperating Revenues (Expenses)	(272,333)	1,077	232,638	23,973	-	-	7,652	-	-	(104)	-	(7,097)
Increase (decrease) in net position	\$ (5,187)	\$ 1,719	\$ -	\$ -	\$ (913)	\$ 2,953	\$ 6,806	\$ (81)	\$ 4,185	\$ 1,917	\$ -	\$ 11,399

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Cash Flows
Year Ended September 30, 2017
(In thousands)

Net cash provided by (used in):	Blended Component Units										Intercompany Eliminations	Halifax Health
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS		
Operating Activities	\$ 281,477	\$ 1,334	\$ (232,638)	\$ (23,973)	\$ (977)	\$ 1,408	\$ (2,800)	\$ (63)	\$ 1,826	\$ 2,822	\$ -	\$ 28,416
Noncapital Financing Activities	(253,261)	(4,455)	232,638	23,973	977	859	(722)	63	-	904	-	976
Capital and Related Financing Activities	(26,703)	(2,763)	-	-	-	(48)	(328)	-	-	(3,726)	-	(33,568)
Investing Activities	(54)	6,948	-	-	-	-	3,600	-	(1,495)	-	-	8,999
Net increase (decrease) in cash and cash equivalents	1,459	1,064	-	-	-	2,219	(250)	-	331	-	-	4,823
Cash and Cash Equivalents:												
Beginning of year	51,259	900	-	-	-	5,211	363	-	867	-	-	58,600
End of year	<u>\$ 52,718</u>	<u>\$ 1,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,430</u>	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,423</u>

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

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. The Medical Center's cash deposits are fully collateralized and component unit cash accounts are insured up to FDIC limits.

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

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

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

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

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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

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

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

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

Depreciation and Amortization: Capital assets, excluding land and construction in progress, are depreciated on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 5 to 20 years for building improvements, 10 to 40 years for buildings, 10 to 20 years for fixed equipment, and 3 to 20 years for major movable equipment. Capitalized intangible assets and goodwill are amortized over their estimated useful lives of three years and five years, respectively.

Derivative Instruments: The Medical Center has entered into an interest rate-swap agreement (the "Swap") and applies hedge accounting in accordance with GASB Cod. Sec. D40, *Derivative Instruments*. For effective hedging instruments, the change in fair value is recorded as a deferred outflow in noncurrent assets on the accompanying statement of net position, and the fair value of the Swap is reported in noncurrent liabilities. See Note 9 for more information on the Swap.

Deferred Outflows and Inflows: In addition to the Swap described above, certain pension costs 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 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, 2017, is included in accrued payroll and personal leave time in the accompanying statement of net position.

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.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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 a reserve for known claims and for claims that have been incurred but not reported. The noncurrent portion of estimated professional and general liability losses and workers' compensation claims have been discounted using a 4% interest rate for 2017. Estimated losses for employees' health claims are not discounted as all amounts are considered current liabilities. See Note 8 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, 2017.

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

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

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

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

Revenue and Expenses: For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions, such as interest expense, donations, and investment income are reported as nonoperating revenues, expenses, gains, and losses.

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.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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 \$11.3 million are included in operating revenues in the accompanying statement of revenues, expenses, and changes in net position. Certain expenses directly attributable to the Medical Center's status as a taxing authority are classified as ad valorem tax-related expenses. These expenses, when added to the charity care and other uncompensated care provided to qualifying patients, exceed ad valorem taxes received and are considered by the Board when determining the tax levy.

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

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

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

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others when services are rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Approximately \$7.3 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 57% of net patient service revenue for the year ended September 30, 2017. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. Adjustments to revenue related to prior periods increased net patient service revenue by approximately \$5.2 million for the year ended September 30, 2017.

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

The Medical Center and Hospice classify a patient as charity based on established policies. These policies define charity services as those services for which no additional payment is anticipated. When assessing a patient's ability to pay, the Medical Center utilizes percentages of the federal poverty income levels, as well as the relationship between charges and the patient's income. Beginning fiscal year 2016, the Medical Center's policy was revised from 200% to 400% of the federal poverty income level. Hospice classifies charity patients as those whose income is at or below the federal poverty guidelines. Core services may be covered in full, or discounted based on income and a sliding scale. Charity care, based on estimated costs, totaled approximately \$32.9 million for the year ended September 30, 2017. 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 and gross charges of the Medical Center and applying adjustments to offset non-patient care activity revenue against expense as well as eliminate bad debt expense.

Net patient service revenue is reported net of charity adjustments, contractual adjustments, and provision for bad debts for the year ended September 30, 2017, as follows (in thousands):

Gross patient charges	\$ 1,873,199
Charity adjustments	(113,778)
Contractual adjustments	<u>(1,171,449)</u>
Net patient service revenue before provision for bad debts	587,972
Provision for bad debts	<u>(79,613)</u>
Net patient service revenue	<u>\$ 508,359</u>

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Pending accounting pronouncements: In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will be effective for Halifax Health beginning with its year ending September 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. Halifax Health is evaluating the impact of this statement on its financial statements.

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

Note 3. Restatement

The Medical Center restated net position as of October 1, 2016. Net position was restated to correct net pension liability that was recorded at incorrect amounts. The impact of the restatement is as follows (in thousands):

Beginning net position, as previously reported	\$ 282,676
Decrease in total pension liability and change in deferred outflows (inflows)	18,650
Beginning net position, as restated	<u><u>\$ 301,326</u></u>

Note 4. 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;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;

Notes to Financial Statements

Note 4. 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, 2017, is set forth in the following table (in thousands).

	Assets Whose Use is Limited and Restricted Assets							
	Investments	Trustee-Held Self-Insurance Funds	Trustee-Held Funds for Capital Projects	Trustee-Held Funds under Indenture Agreements for Debt Service	Board-Designated Funded Depreciation	Restricted by Donor	Board Designated Other	Total
<u>Level 1</u>								
Money market funds	\$ 2	\$ 551	\$ 17	\$ 188	\$ 91	\$ -	\$ -	\$ 849
Mutual funds:								
DFA Emerging Markets Value Portfolio	1,690	-	-	-	-	399	95	2,184
DFA International Value Portfolio	4,337	-	-	-	-	887	227	5,451
DFA Small Cap Value Portfolio	7,333	-	-	-	-	1,856	430	9,619
DFA U.S. Large Cap Value Portfolio	16,749	-	-	-	-	2,284	868	19,901
Vanguard Energy Fund Admiral Shares	138	-	-	-	-	-	52	190
Vanguard Energy Index	742	-	-	-	-	-	-	742
Vanguard Health Care Fund	588	-	-	-	-	-	60	648
Vanguard Large Cap Growth Index Fund	7,502	-	-	-	-	-	-	7,502
Vanguard Short-Term Federal Admiral Fund	65	-	-	-	-	-	-	65
Vanguard Short-Term Investment Grade Inst Fund	108,712	-	-	-	-	-	918	109,630
Vanguard Small Cap Growth Index Fund	7,811	-	-	-	-	-	-	7,811
U.S. Treasury obligations	73,427	-	-	-	2,079	-	-	75,506
Total Level 1	229,096	551	17	188	2,170	5,426	2,650	240,098
<u>Level 2</u>								
U.S. Government-sponsored enterprises:								
Federal National Mortgage Association	-	-	-	-	10,464	-	-	10,464
Federal Home Loan Bank	4,384	-	-	-	21,313	-	-	25,697
Federal Home Loan Mortgage Corporation	3,013	-	-	-	8,478	-	-	11,491
Corporate bonds	24,612	-	-	-	-	-	-	24,612
Other	7,380	-	-	-	83	245	-	7,708
Total Level 2	39,389	-	-	-	40,338	245	-	79,972
Total	\$ 268,485	\$ 551	\$ 17	\$ 188	\$ 42,508	\$ 5,671	\$ 2,650	\$ 320,070

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 4. Investments and Assets Whose Use is Limited (Continued)

All investments of the Halifax Pension Plan were classified as Level 1 at September 30, 2017. The composition of investments in the Halifax Pension Plan at September 30, 2017, is set forth in the following table (in thousands):

Money market funds	\$ 304
Mutual funds:	
DFA Emerging Markets Value Portfolio	11,170
DFA International Value Portfolio	33,979
DFA U.S. Large Cap Value Portfolio	21,401
DFA U.S. Small Cap Value Portfolio	21,499
Vanguard Energy Fund Admiral Shares	4,389
Vanguard Energy Index Fund	4,777
Vanguard Growth Index Fund	13,526
Vanguard Health Care Fund	9,448
Vanguard Short-Term Investment Grade Inst Fund	132,312
Vanguard Small Cap Growth Index Fund	13,554
Total	\$ 266,359

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

The Medical Center invests in money market and mutual funds that qualify as fixed-income securities in accordance with its investment policy described in Note 5. At September 30, 2017, the Medical Center was invested in one money market fund, the Wells Fargo Advantage Government Money Market Fund, and the following mutual funds:

- Vanguard Short-Term Federal Admiral Fund (VSGDX) invests at least 80% of its portfolio in short-term debt securities issued by the U.S. government, its agencies and U.S. government-sponsored enterprises. The fund had an average duration of 2.4 years as of September 30, 2017.
- Vanguard Short-Term Investment-Grade Institutional Fund (VFSIX) invests at least 80% of its portfolio in short and intermediate-term investment grade securities. The fund had an average duration of 2.6 years as of September 30, 2017.

At September 30, 2017, the Medical Center held debt securities in U.S. Treasury Obligations and U.S. Government-sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation.

Investment income on assets whose use is limited, restricted assets, and investments for the year ended September 30, 2017, was \$8.7 million and includes unrealized gains of \$1.9 million. Investment income of the Foundation includes unrealized gains of approximately \$2.2 million and is included in other operating revenue.

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 5. Deposits and Investment Risk

GASB Cod. Sec. 150, *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. 150 also requires the disclosure of the credit quality of investments in debt securities, except for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.

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

- U.S. Government securities and repurchase agreements;
- U.S. Government agency and U.S. Government-sponsored enterprises;
- Domestic bank certificates of deposit provided that any such investments are in Federal Deposit Insurance Corporation guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Securities of, or other interests in, any management-type investment company or investment trust registered under the Investment Company Act of 1940, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the U.S. Government or any agency or instrumentality thereof; and
- 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.

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; and
- 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.

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 5. Deposits and Investment Risk (Continued)

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

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, Halifax Health and the Halifax Pension Plan will not be able to recover its deposits. At September 30, 2017, Halifax Health and the Halifax Pension Plan's deposits, consisting primarily of cash and cash equivalents, were covered by federal depository insurance, collateralized with U.S. Treasury Securities and Federal agency securities or guaranteed 100% by the State of Florida and collateralized through the Florida Bureau of Collateralization.

Credit Risk: The investment policy provides guidelines to investment managers that restrict investments in debt securities to those with an A- or A rating or better for Halifax Health and the Halifax Pension Plan, respectively, and established asset allocation limits to reduce the concentration of credit risk. Guidelines are provided to investment managers and monitored by the investment advisory firm and management for compliance. As of September 30, 2017, Halifax Health has an investment in debt securities with Federal Home Loan Bank totaling approximately \$25.7 million, representing 8.03% of total investments. At September 30, 2017, the money market fund at Halifax Health had a credit rating of Aaa-mf, and other debt securities each had credit ratings of Aaa from Moody's Investors Service Inc.

As of September 30, 2017, 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 debt securities was limited to one fixed income mutual fund with a credit rating of Aaa-mf from Moody's Investor Services.

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

As of September 30, 2017, Halifax Health had investments, assets whose use is limited and restricted assets maturing as follows (in thousands):

	Fair Value	Less than 1 Year	1 – 5 Years	6 – 10 Years
Money market funds	\$ 849	\$ 849	\$ -	\$ -
Mutual funds	163,743	163,743	-	-
U.S. Government securities	75,506	73,427	-	2,079
U.S. Government-sponsored enterprises	47,652	32,184	12,473	2,995
Corporate bonds	24,612	2,378	14,538	7,696
Other	7,708	7,708	-	-
Total	\$ 320,070	\$ 280,289	\$ 27,011	\$ 12,770

At September 30, 2017, all of the Halifax Pension Plan's investments had maturity dates within one year or no maturity date.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 6. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

- Long-term debt related to bonds payable is reported at historical value. The carrying value of long-term debt, net of unamortized premiums and discounts at September 30, 2017, is approximately \$349.7 million and the fair value at September 30, 2017, is approximately \$366 million.
- The fair value of the Swap was approximately \$27.2 million at September 30, 2017, 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. See Note 10 for more information about the Swap.

Note 7. Capital Assets

Capital assets are recorded at cost and presented net of accumulated depreciation in the accompanying statements of net position. Projects in progress includes primarily short-term capitalizable projects that were not yet in service as of September 30, 2017. No interest related to these projects was capitalized during the year. A summary of the activities for the year ended September 30, 2017, is presented below (in thousands):

	Balance at September 30, 2016	Increases/ Transfers	Decreases/ Transfers	Balance at September 30, 2017
Capital Assets — at cost:				
Land	\$ 49,162	\$ -	\$ 536	\$ 48,626
Land improvements	4,242	2,058	-	6,300
Buildings	397,129	6,384	84	403,429
Fixed equipment	19,292	6,533	1	25,824
Major moveable equipment	89,220	9,808	2,777	96,251
Computers and software	22,433	3,750	398	25,785
Projects in progress	22,594	37,928	40,582	19,940
Total capital assets — at cost	604,072	66,461	44,378	626,155
Accumulated Depreciation:				
Land improvements	3,170	303	2	3,471
Buildings	144,161	13,312	19	157,454
Fixed equipment	11,977	3,010	6	14,981
Major moveable equipment	70,579	6,803	4,583	72,799
Computers and software	17,844	3,031	411	20,464
Total accumulated depreciation	247,731	26,459	5,021	269,169
Capital assets — net	\$ 356,341	\$ 40,002	\$ 39,357	\$ 356,986

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 8. 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.

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, 2017 and 2016 are as follows (in thousands):

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

	Balance at September 30, 2015	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2016
Employee health	\$ 1,355	\$ 7,286	\$ (7,736)	\$ 905
Professional liability	7,390	2,645	(615)	9,420
Workers' compensation	3,964	(238)	(1,076)	2,650
Total	\$ 12,709	\$ 9,693	\$ (9,427)	\$ 12,975

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 8. Self-Insurance and Insurance (Continued)

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 9. Long-Term Debt

Long-term debt at September 30, 2017, consists of the following (in thousands):

	Current Portion of Long-Term Debt	Long-Term Debt	Premium
Bonds payable:			
Series 2008	\$ -	\$ 70,000	\$ -
Series 2010	1,295	-	-
Series 2015	3,720	107,860	9,824
Series 2016	1,590	162,305	9,438
Total bonds payable	\$ 6,605	\$ 340,165	\$ 19,262

Bonds Payable: Halifax Health has outstanding \$366.0 million of debt, which was issued to refund prior debt and to provide funding for capital projects. The debt is organized with outstanding principal balances as follows: \$70 million of tax-exempt, variable-rate demand-obligation ("VRDO") bonds ("Series 2008"), secured by a letter of credit; \$111.5 million of tax-exempt, fixed rate bonds ("Series 2015"), \$163.9 million of tax-exempt, fixed rate bonds ("Series 2016"), and \$1.3 million of conduit indebtedness ("Series 2010"). Pursuant to the terms of the Master Trust Indenture ("MTI") under which the bonds were issued (excluding conduit indebtedness), principal and interest on each bond series are payable from and secured by a pledge of net revenues of the Obligated Group. The members of the Obligated Group are the Medical Center and Holdings, and also include certain other component units; EVHS, Staffing, HHCSI, and PBFS.

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

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Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

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, 2017. 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 2017, with interest rates ranging from 0.54% to 0.95%. The term of the letter of credit expires November 17, 2020. The letter of credit is secured by an interest in any bonds purchased with draws on the letter of credit and amounts payable under the MTI. The Medical Center did not draw on the letter of credit during 2017. In the event that all of the Series 2008 bonds are unable to be remarketed, the Medical Center would be required to draw on the letter of credit. Repayments of principal and interest would begin one year after the date of the draw, and be made in 12 equal quarterly installments and any amounts outstanding at the termination date of the letter of credit would be due and payable at that date. Therefore, the entire outstanding amount drawn on the letter of credit would become due by November 15, 2021. Pursuant to the terms of the letter of credit, the Medical Center is required to comply with certain provisions regarding additional borrowings, capital expenditures, and the maintenance of certain financial ratios.

The Medical Center has a \$70 million notional-amount fixed-pay percentage of the London InterBank Offered Rate ("LIBOR") interest rate swap on the Series 2008 bonds (the "Swap"). The variable interest paid on the Series 2008 bonds is expected to correlate very closely with the rate that is received on the related Swap. The effective interest rate on the Swap is a synthetic fixed rate of interest of 3.94% at September 30, 2017. See Note 10 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.

The Medical Center issued conduit indebtedness in 1998 on behalf of HMS, and refunded that debt with the issuance of the Halifax Hospital Medical Center Health Care Facility Revenue Refunding Bonds (Halifax Management System, Inc. Project) Series 2010 ("Series 2010") bonds on December 28, 2010. The total debt issued was approximately \$14.6 million. The Series 2010 bonds are payable solely from, and secured by a pledge of, rental payments to be received from a lease agreement between the Medical Center and HMS. The bonds do not constitute a debt or pledge of the faith and credit of the Medical Center.

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

A summary of bond issues follows (in thousands):

Fixed Rate Bonds

Series	Date Issued/ Converted	Term Bonds			Serial Bonds		
		Original Issue Amount	Interest Rate	Maturity Date	Original Issue Amount	Interest Rate	Maturity Date
Series 2010	December 28, 2010	\$ 14,630	2.99	June 1, 2018			
Series 2015	April 29, 2015	57,795	5.00	June 1, 2035	\$ 57,350	3.00%–5.00%	June 1, 2030
			4.00	June 1, 2038			
			4.00	June 1, 2041			
			5.00	June 1, 2046			
Series 2016	March 28, 2016	48,430	4.00	June 1, 2018	117,060	3.75%–5.00%	June 1, 2046
			5.00	June 1, 2030			
			3.38	June 1, 2031			

Variable-Rate Bonds

Series	Date Issued	Original Issue Amount	Interest Rate at September 30, 2017*	Maturity Date	Interest Rate Period
Series 2008	September 18, 2008	\$ 70,000	0.93%	June 1, 2048	7 days

* This rate is the remarketed interest rate in effect as of September 30, 2017. The Medical Center also has a fixed-pay interest rate as part of the Swap. See Note 10 for more information on the Swap.

Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

Listed below are the debt service payments for Halifax Health for each of the five years ending September 30, 2018 through 2022, and in five-year increments thereafter (in thousands). The principal shown on the Series 2008 bonds is based on scheduled repayments; however, as described above the principal is subject to call by the bondholders, in which case the principal may be due by 2021. The interest rate used to calculate interest on the Series 2008 bonds was the remarketed interest rate in effect at September 30, 2017.

	Series 2008		Series 2015		Series 2016		Total Debt Secured by Obligated Group		Series 2010		Total Halifax Health	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ -	\$ 651	\$ 3,720	\$ 5,318	\$ 1,590	\$ 7,216	\$ 5,310	\$ 13,185	\$ 1,295	\$ 12	\$ 6,605	\$ 13,197
2019	-	651	4,350	5,169	1,170	7,152	5,520	12,972	-	-	5,520	12,972
2020	-	651	4,570	4,952	1,225	7,094	5,795	12,697	-	-	5,795	12,697
2021	-	651	4,785	4,723	1,305	7,032	6,090	12,406	-	-	6,090	12,406
2022	-	651	5,025	4,484	1,365	6,967	6,390	12,102	-	-	6,390	12,102
2023 – 2027	-	3,255	24,775	18,386	12,310	33,745	37,085	55,386	-	-	37,085	55,386
2028 – 2032	-	3,255	11,490	13,977	35,610	28,140	47,100	45,372	-	-	47,100	45,372
2033 – 2037	-	3,255	14,615	10,837	44,920	18,849	59,535	32,941	-	-	59,535	32,941
2038 – 2042	18,990	2,823	19,145	7,475	35,300	9,541	73,435	19,839	-	-	73,435	19,839
2043 – 2047	36,290	1,530	19,105	2,365	29,100	3,032	84,495	6,927	-	-	84,495	6,927
2048	14,720	-	-	-	-	-	14,720	-	-	-	14,720	-
Total	\$ 70,000	\$ 17,373	\$ 111,580	\$ 77,686	\$ 163,895	\$ 128,768	\$ 345,475	\$ 223,827	\$ 1,295	\$ 12	\$ 346,770	\$ 223,839

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

Long-Term Notes Payable and Other Indebtedness: HMS has a promissory note payable in the amount of \$2.3 million to the Medical Center. The note payable is due on a level debt service basis with an interest rate of 5.85%. The outstanding principal at September 30, 2017 was \$98,000.

Long-term debt activity for the year ended September 30, 2017, consisted of the following (in thousands):

	Balance at September 30, 2016	Additions (Reductions) Net of Amortization of Original Issue Discounts and Premium	Balance at September 30, 2017
Series 2008	\$ 70,000	\$ -	\$ 70,000
Series 2010	3,470	(2,175)	1,295
Series 2015	125,308	(3,904)	121,404
Series 2016	175,259	(1,926)	173,333
Total	\$ 374,037	\$ (8,005)	\$ 366,032

Note 10. Interest Rate Swap

The Medical Center has previously entered into a Swap agreement with a notional amount of \$70 million in conjunction with the issuance of the Series 2008 bonds that effectively converts the variable rate bonds to a fixed rate. Under the terms of the Swap, the Medical Center pays to the counterparty a fixed rate of interest equal to 3.837% of the remaining notional amount. In turn, the Medical Center receives a payment of variable interest equal to 67% of LIBOR. The termination date of this Swap agreement is June 1, 2048, which coincides with the maximum maturity of the Series 2008 bonds. Payments under the Swap agreement are insured by AGMC. For the year ended September 30, 2017, the Medical Center made approximately \$2.7 million in payments under the Swap agreement to the counterparty and received approximately \$410,000 in payments under the Swap agreement from the counterparty, the net of which is reported as interest expense. 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, 2017, the fair value of the Swap liability of approximately \$27.2 million was included in other long-term liabilities, with the current-year change in fair value of approximately \$12.3 million recorded as an increase in deferred outflows in noncurrent assets. The fair value of the Swap is determined by an independent source, based on an analysis of discounted cash flows.

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.

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Notes to Financial Statements

Note 10. 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, 2017, the interest rate on the hedged variable-rate debt is 0.93% and 67% of LIBOR is 0.83%.

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, 2017 (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, 2017. 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
2018	\$ -	\$ 651	\$ 2,105	\$ 2,756
2019	-	651	2,105	2,756
2020	-	651	2,105	2,756
2021	-	651	2,105	2,756
2022	-	651	2,105	2,756
2023 – 2027	-	3,255	10,525	13,780
2028 – 2032	-	3,255	10,525	13,780
2033 – 2037	-	3,255	10,525	13,780
2038 – 2042	18,990	2,823	9,127	11,950
2043 – 2047	36,290	1,530	4,946	6,476
2048	14,720	-	-	-
Total	\$ 70,000	\$ 17,373	\$ 56,173	\$ 73,546

Note 11. Pension Plan and Other Postemployment Benefits

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.

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Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

The Plan covers all eligible employees who have attained the age of 21 and have more than one year of service. Eligibility for the Plan was closed to all employees whose initial hire date or rehire date was on or after October 1, 2000. Halifax Health assumed the unfunded portion of the past service liability for employees who participated and were not vested in the prior pension benefit programs. As of September 30, 2016, the measurement date, the Plan included 513 active employees, 539 terminated but vested participants, and 957 retired participants and beneficiaries.

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

The Medical Center is obligated by contractual agreement to fund contributions on behalf of Staffing. The contribution rate is determined on an actuarial basis. Halifax Health contributed \$21 million to the Plan in fiscal year 2017. In accordance with GASB Statement No. 68, that amount is recorded on the statement of net position as a deferred outflow at September 30, 2017. Staffing's proportionate share of the contribution, expense and net pension liability is 94.37% and Hospice's proportionate share is 5.63% for fiscal years 2017 and 2016. The proportionate share calculation is based on the present value of future salaries for active employees of Staffing and Hospice.

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

Actuarial Methods and Assumptions

Mortality table	RP-2014 Mortality Table (sex-distinct), Scale MP2016
Interest rate	6.75% annually, compounded
Pay increase	N/A
Cost of living adjustment	3%
Measurement date	September 30, 2016
Valuation date	October 1, 2015
Allocation of Plan assets	40-70% Equities 30-60% Fixed income
Real rate of return	Overall - 10.42%, arithmetic mean Equities - 19.36% Fixed income - 1.36%
Experience study date	October 1, 2016

The discount rate used in measuring the total pension liability was 6.75% for fiscal years 2017 and 2016. 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, 2017 using a discount rate of 5.75% would have been \$125.2 million, and using a discount rate of 7.75% would have been \$57.7 million.

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

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

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

Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

The net pension liability at September 30, 2017 using a discount rate of 6.75% was \$88.8 million. Since the last measurement date, September 30, 2015, the Plan updated its assumptions regarding mortality tables to the same assumption as used by the actuary for the Florida Retirement System Pension Plan per Florida Statutes. Changes in the pension accounts since the last valuation date, and pension expense, are as follows (in thousands):

	Deferred Outflow -			Deferred Inflow -					
	Pension Contributions	Deferred Outflow - Investment Gains	Deferred Outflow - Liability Loss	Change in Assumptions	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Pension Expense	
Balance at September 30, 2016	\$ 21,236	\$ 16,971	\$ 298	\$ (4,030)	\$ (322,844)	\$ 214,911	\$ (107,933)	\$ -	
Service cost	-	-	-	-	(4,441)	-	(4,441)	4,441	
Interest cost	-	-	-	-	(21,234)	-	(21,234)	21,234	
Difference in expected and actual experience	-	(5,687)	1,996	-	(1,996)	5,687	3,691	-	
Changes of assumptions	-	-	-	(4,800)	4,800	-	4,800	-	
Projected investment income	-	-	-	-	-	15,205	15,205	(15,205)	
Benefit payments	-	-	-	-	16,818	(16,818)	-	-	
Expenses	-	-	-	-	-	(77)	(77)	77	
Contributions recognized in Plan Fiduciary Net Position	(21,236)	-	-	-	-	21,236	21,236	-	
Contributions made after measurement date	21,060	-	-	-	-	-	-	-	
Amortization of deferred inflows	-	(2,069)	(747)	4,443	-	-	-	(1,627)	
Balance at September 30, 2017	\$ 21,060	\$ 9,215	\$ 1,547	\$ (4,387)	\$ (328,897)	\$ 240,144	\$ (88,753)	\$ 8,920	

Proportionate share of the above balances as of September 30, 2017:

Medical Center	\$ 19,873	\$ 8,696	\$ 1,460	\$ (4,140)	\$ (310,381)	\$ 226,624	\$ (83,757)	\$ 8,417
Hospice	1,187	519	87	(247)	(18,516)	13,520	(4,996)	503
	<u>\$ 21,060</u>	<u>\$ 9,215</u>	<u>\$ 1,547</u>	<u>\$ (4,387)</u>	<u>\$ (328,897)</u>	<u>\$ 240,144</u>	<u>\$ (88,753)</u>	<u>\$ 8,920</u>

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2017, the amount of deferred outflows to be realized in future years and the amount of deferred inflows to be recognized in future years' pension expense as follows (in thousands):

	Deferred Outflow - Contributions	Deferred Outflow - Investment Gains	Deferred Outflow - Liability Loss	Deferred Inflow - Change in Assumptions	To Be Recognized in Future Pension Expense
Balance at September 30, 2017	\$ 21,060	\$ 9,215	\$ 1,547	\$ (4,387)	\$ -
2018	(21,060)	(2,071)	(1,251)	3,673	(351)
2019	-	(4,328)	(296)	714	3,910
2020	-	(3,951)	-	-	3,951
2021	-	1,135	-	-	(1,135)
	\$ -	\$ -	\$ -	\$ -	\$ 6,375

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, 2017, 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 \$9.1 million to the Contribution Plan for the year ended September 30, 2017.

Other Postemployment Benefit Plans: Qualified retired employees are eligible for certain postretirement benefit plans other than pensions ("OPEB"). All employees with ten 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 ("Insurance Subsidy OPEB"). The Insurance Subsidy OPEB 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. The Insurance Subsidy OPEB is calculated based on the number of years of service and is limited to a maximum annual benefit of \$1,800 per participant. The Insurance Subsidy OPEB does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information of the Medical Center.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

The following table shows the components of the annual Insurance Subsidy OPEB cost for the year ended September 30, 2017 (in thousands):

ARC and Annual OPEB Cost

ARC	\$ 1,076
Plus interest on net OPEB obligation	230
Less adjustment to annual required contribution	<u>(332)</u>
Annual OPEB cost	974
Contributions made	<u>(750)</u>
Increase in net OPEB obligation	224
Net OPEB obligation:	
Beginning of year	5,739
End of year	<u><u>\$ 5,963</u></u>

Benefits for participants are funded from contributions made by Halifax Health, on a pay-as-you-go basis. The annual Insurance Subsidy OPEB cost for fiscal year 2017 is approximately \$974,000. The net OPEB obligation was \$6.0 million as of September 30, 2017, and is included in other liabilities on the accompanying statement of net position. The percentage of OPEB cost contributed during fiscal year 2017 was 70%. The annual cost history for the Insurance Subsidy OPEB plan is summarized below (in thousands):

Years Ended September 30,	OPEB Cost	Percent of OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 974	70%	\$ 5,963
2016	934	73	5,739
2015	947	69	5,487

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amounts
Remaining amortization period	30 years, open
Actuarial assumptions:	
Investment rate of return	4%

These actuarial assumptions are based on the presumption that the Insurance Subsidy OPEB 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.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

Calculations are based on the benefits provided under the terms of the substantive plan as of the valuation date and on the sharing of costs between the employer and plan members as of that date. In addition, assumptions on employee withdrawal and retirement rates were used. Mortality is assumed to follow the sex-distinct Blue Collar RP-2014 Mortality Table for employees and health annuitants, adjusted to 2006 using scale MP-2014 and then projected mortality improvements using scale MP-2016 on a fully-generational basis.

Information about the funded status of the Insurance Subsidy OPEB plan from the most recent actuarial valuation is as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
October 1, 2016	\$ -	\$ 18,603	\$ 18,603	0%	\$ 38,361	48%

Health insurance is also offered to certain retirees at the same cost as active employees, in a benefit plan called the "Implicit Rate Subsidy OPEB," a single-employer defined benefit OPEB plan. The Implicit Rate Subsidy OPEB is offered through the Halifax Health Plan, which provides medical care and prescription drug coverage to full-time employees and specified part-time employees. The Implicit Rate Subsidy OPEB does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information of the Medical Center.

The following table shows the annual Implicit Rate Subsidy OPEB cost and change in OPEB obligation for the year ended September 30, 2017 (in thousands):

Annual OPEB cost	\$ 476
Contributions made	(321)
Increase in net OPEB obligation	155

Net OPEB obligation:

Beginning of year	3,430
End of year	<u>\$ 3,585</u>

Benefits for participants are funded from contributions made by Halifax Health and plan members on a pay-as-you-go basis. The cost of the plan is a blended rate of active employees and retirees. Retired employees contribute both the employee and employer rates, but do not pay a separate rate based solely on retiree costs to the plan. Therefore, this OPEB provides an implicit rate subsidy to retirees in the plan.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

The annual Implicit Rate Subsidy OPEB cost for fiscal year 2017 is approximately \$476,000. The Implicit Rate Subsidy OPEB obligation was \$3.6 million as of September 30, 2017, and is included in other liabilities in the accompanying statement of net position. The percentage of OPEB cost contributed during fiscal year 2017 is 62%. The annual cost history for the Implicit Rate Subsidy OPEB plan is summarized below (in thousands):

Year Ended September 30,	OPEB Cost	Percent of OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 476	62%	\$ 3,585
2016	442	66	3,430
2015	582	56	3,281

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amounts
Remaining amortization period	30 years, open
Actuarial assumptions:	
Investment rate of return	4%
Healthcare trend rate	8%

These actuarial assumptions are based on the presumption that the Implicit Rate Subsidy OPEB 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.

Calculations are based on the benefits provided under the terms of the substantive plan as of the valuation date and on the sharing of costs between the employer and plan members as of that date. In addition, assumptions on employee withdrawal and retirement rates were used. Mortality is assumed to follow the sex-distinct Blue Collar RP-2014 Mortality Table for employees and health annuitants, adjusted to 2006 using scale MP-2014 and then projected mortality improvements using scale MP-2016 on a fully-generational basis.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

Note 11. Pension Plan and Other Postemployment Benefits (Continued)

Information about the funded status of the Implicit Rate Subsidy OPEB plan from the recent actuarial valuation is as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
October 1, 2016	\$ -	\$ 5,204	\$ 5,204	0%	\$ 38,361	14%

Schedules of funding progress regarding both OPEB plans are included in the required supplementary information section of the financial statements and presents information about whether the value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 12. Commitments and Contingencies

Leases: The Medical Center is committed under various noncancelable operating leases. These expire in various years through 2028. Future minimum operating lease payments are as follows (in thousands):

Years Ending September 30,	
2018	\$ 5,209
2019	3,331
2020	2,686
2021	1,658
2022	1,368
2023 – 2028	7,988
Total minimum lease payments required	<u>\$ 22,240</u>

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

During fiscal year 2017, The Health Resources and Services Administration, Office of Pharmacy Affairs conducted a 340B Drug Pricing Program audit at the Medical Center. The Medical Center is vigorously defending the audit findings and at the current time, a loss cannot be reasonably estimated and is not considered probable. Total savings under the 340B Drug Pricing Program is approximately \$7.1 million.

**Halifax Hospital Medical Center
d/b/a Halifax Health**

Notes to Financial Statements

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, 2017, was as follows:

Medicare	20%
Medicaid	13%
Other third-party payors	62%
Self-pay patients	5%
Total	<u><u>100%</u></u>

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, 2017, 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, 2017, EVHS had \$1.0 million recorded as an equity interest in ECFOI that is included in other assets in the accompanying financial statements. ECFOI issues stand-alone financial statements.

EVHS has a 50% equity interest in a joint-venture to operate HB Rehabilitative Services, Inc. (HB). During the year ended September 30, 2017, EVHS received no distributions from HB, and at September 30, 2017, EVHS had \$3.9 million recorded as an equity interest in HB that is included in other assets in the accompanying financial statements. HB does not issue stand-alone financial statements.

EVHS acquired an additional 45% interest in Daytona Area Senior Services ("DASS") from Council on Aging ("COA") in May 2017. As a result EVHS has a 95% equity interest in DASS d/b/a Halifax Health Care at Home, which provides home health services to the residents of the local area, and DASS' financial activity is now included in these financial statements. In consideration of this transfer of ownership, COA forgave a \$50,000 debt owed to them by DASS and EVHS forgave a prior funding obligation owed by COA.

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
Year Ended September 30, 2017
(In thousands)**

	Total Pension Liability, as restated (a)	Plan Fiduciary Net Pension, as restated (b)	Net Pension Liability, as restated (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	<u>\$ 328,897</u>	<u>\$ 240,144</u>	<u>\$ 88,753</u>

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
Year Ended September 30, 2017
(In thousands)**

Actuarial Valuation Date	Total Pension Liability (a)	Plan		Medical Center Proportionate Share (a-b) * 94.37%	Hospice Proportionate Share (a-b) * 5.63%	Covered Payroll (c)	Fiduciary Net	Net Pension
		Fiduciary Net Position (b)	Net Pension Liability (a-b)				Position as a % of Net Pension Liability (b/a)	Liability as a % of Covered Payroll
October 1, 2015	\$ 328,897	\$ 240,144	\$ 88,753	\$ 83,757	\$ 4,996	\$ 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
Year Ended September 30, 2017
(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, 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.

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Required Supplementary Information – Halifax Pension Plan (Unaudited)

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, 2015
Actuarial cost method	Traditional Unit Credit
Amortization method	10 year, closed
Remaining amortization period	Varies
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	NA
Cost-of-living adjustments	3.00%
Mortality	RP-2014 Mortality Table (sex-distinct), Scale MP2016
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, 2015, the Plan updated its assumptions regarding mortality tables. A recent update to the Florida Statutes requires the use of the same assumption as used by the actuary for the Florida Retirement System Pension Plan. This change in Plan assumption resulted in a decrease in the pension liability of approximately \$4.8 million at September 30, 2017.

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

**Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Insurance Subsidy OPEB**

**Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Year Ended September 30, 2017
(In thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL – Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
October 1, 2016	\$ -	\$ 18,603	\$ 18,603	0%	\$ 38,361	48%
October 1, 2015	-	17,842	17,842	0%	42,387	42%
October 1, 2014	-	17,974	17,974	0%	43,613	41%
October 1, 2013	-	17,738	17,738	0%	46,960	38%
October 1, 2012	-	16,681	16,681	0%	51,283	33%
October 1, 2011	-	17,023	17,023	0%	55,573	31%

Source: BPAS Actuarial and Pension Services.

**Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Implicit Rate Subsidy OPEB**

**Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Year Ended September 30, 2017
(In thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL – Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
October 1, 2016	\$ -	\$ 5,204	\$ 5,204	0%	\$ 38,361	14%
October 1, 2015	-	4,998	4,998	0%	42,387	12%
October 1, 2014	-	5,587	5,587	0%	43,613	13%
October 1, 2013	-	5,069	5,069	0%	46,960	11%
October 1, 2012	-	6,649	6,649	0%	51,283	13%
October 1, 2010	-	4,991	4,991	0%	56,311	9%

Source: BPAS Actuarial and Pension Services.

Other Supplementary Information

**Halifax Hospital Medical Center
d/b/a Halifax Health**

**Supplementary Information
Schedule of Net Position – Obligated Group
September 30, 2017
(In thousands)**

Assets and Deferred Outflows

Current Assets:	
Cash and cash equivalents	\$ 62,112
Investments	166,536
Current assets whose use is limited:	
Trustee-held self-insurance funds	551
Accounts receivable, patients, net of estimated uncollectibles of \$163,462	59,728
Inventories	14,074
Other current assets	16,168
Total current assets	319,169
Noncurrent Assets Whose Use is Limited:	
Board-designated funded depreciation	42,508
Trustee-held funds	17
Depreciable Capital Assets, net	255,436
Nondepreciable Capital Assets	65,221
Investment in Affiliates	138,277
Other Assets	5,593
Total assets	826,221
Deferred Outflows:	
Interest rate swap	27,176
Pension, contribution after measurement date	19,873
Pension, other	10,156
Loss on refunding of debt	16,446
Goodwill, net	2,549
Total deferred outflows	76,200
Total assets and deferred outflows	\$ 902,421

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position – Obligated Group (Continued)
September 30, 2017
(In thousands)

Liabilities, Deferred Inflows and Net Position

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 53,632
Accrued payroll and personal leave time	19,955
Current portion of accrued self-insurance liability	4,736
Current portion of long-term debt	5,310
Other current liabilities	6,091
Total current liabilities	89,724
Noncurrent Liabilities:	
Long-term debt, less current portion	340,165
Net pension liability	83,757
Accrued self-insurance liability, less current portion	8,594
Other liabilities	43,046
Long-term value of interest rate swap	27,176
Total liabilities	592,462
Deferred Inflows Related to Pension	4,140
Total liabilities and deferred inflows	596,602
Net Position:	
Net investment in capital assets	(9,060)
Unrestricted	314,879
Total net position	305,819
Total liabilities, deferred inflows and net position	\$ 902,421

**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, 2017
(In thousands)**

Operating Revenues:	
Net patient service revenue, before provision for bad debts	\$ 545,295
Provision for bad debts	(78,354)
Net patient service revenue	<u>466,941</u>
Ad valorem taxes	11,252
Other revenue	16,539
Total operating revenues	<u>494,732</u>
Operating Expenses:	
Salaries and benefits	254,738
Supplies	98,664
Purchased services	65,994
Depreciation and amortization	22,434
Ad valorem tax-related expenses	7,417
Leases and rentals	7,498
Other	24,771
Total operating expenses	<u>481,516</u>
Income from operations	<u>13,216</u>
Nonoperating Revenues (Expenses):	
Interest expense	(16,710)
Investment income — net	1,890
Donation revenue	159
Nonoperating gains (losses) — net	16
Income from affiliates	12,826
Total nonoperating expenses	<u>(1,819)</u>
Increase in net position	11,397
Net Position:	
Beginning net position, as restated	294,422
End of year	<u><u>\$ 305,819</u></u>

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Note to Schedules – Obligated Group

Note 1. Summary of Significant Accounting Policies

Obligated Group: The members of the Obligated Group are the Medical Center (including certain other blended component units; EVHS, Staffing, HHCSI, and PBFS) and Holdings. The Medical Center has an equity interest in entities which are expected to produce income, appreciation in value, or other economic benefit. These affiliates include Hospice, VHN, Foundation, and HMS. Under the provisions of the MTI, dated June 1, 2006, by and between the Medical Center and Wells Fargo Bank, N.A., the equity interest in affiliates are accounted for under the equity method. 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 of the Obligated Group. In addition, except in the event of or to cure a default, affiliates are not required to make any payments with respect to the outstanding indebtedness of the Medical Center.

Note 2. Restatement

The Obligated Group restated net position as of October 1, 2016. Net position was restated to correct total net pension liability that was recorded at incorrect amounts. The impact of the restatement is as follows (in thousands):

Beginning net position, as previously reported	\$ 276,822
Decrease in total pension liability and change in deferred outflows (inflows)	17,600
Beginning net position, as restated	<u><u>\$ 294,422</u></u>

Halifax Hospice, Inc.

**d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital
Medical Center)**

Financial Report
September 30, 2017

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Independent Auditor's Report

To the Board of Directors
Halifax Hospice, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice"), a blended component unit of Halifax Hospital Medical Center, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Hospice'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 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 Hospice'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 Hospice'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.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hospice as of September 30, 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the net position as of October 1, 2016, has been restated to correct net pension liability that was recorded at incorrect amounts. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Davenport, Iowa

[opinion date]

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Statement of Net Position
September 30, 2017
(In thousands)

Assets and Deferred Outflows

Current Assets:	
Cash and cash equivalents	\$ 113
Investments	66,378
Accounts receivable, patients, net of estimated uncollectibles of \$414	2,725
Inventories	112
Other current assets	70
Total current assets	<u>69,398</u>
Assets Whose Use is Limited, Board-designated	2,650
Depreciable Capital Assets, net	16,688
Nondepreciable Capital Assets	1,981
Other Assets	5,097
Total assets	<u>95,814</u>
Deferred Outflows Related to Pension	1,793
Total assets and deferred outflows	<u><u>\$ 97,607</u></u>

Liabilities, Deferred Inflows and Net Position

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 492
Accrued payroll and personal leave time	969
Other current liabilities	6
Total current liabilities	<u>1,467</u>
Noncurrent Liabilities:	
Net pension liability	4,996
Total liabilities	<u>6,463</u>
Deferred Inflows Related to Pension	247
Total liabilities and deferred inflows	<u>6,710</u>
Net Position:	
Net investment in capital assets	18,652
Unrestricted	72,245
Total net position	<u>90,897</u>
Total liabilities, deferred inflows and net position	<u><u>\$ 97,607</u></u>

See Notes to Financial Statements.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017
(In thousands)

Operating Revenues:	
Net patient service revenue, before provision for bad debt	\$ 42,674
Provision for bad debt	(1,259)
Net patient service revenue	41,415
Other revenue	1,975
Total operating revenues	43,390
Operating Expenses:	
Salaries and benefits	24,133
Supplies	2,763
Purchased services	12,453
Depreciation	804
Leases and rentals	2,032
Other	2,051
Total operating expenses	44,236
Loss from operations	(846)
Nonoperating Revenues:	
Investment income	6,797
Contribution revenue	855
Total nonoperating revenues	7,652
Increase in net position	6,806
Net Position:	
Beginning net position, as restated	84,091
End of year	\$ 90,897

See Notes to Financial Statements.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Statement of Cash Flows
Year Ended September 30, 2017
(In thousands)

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	\$ 40,457
Payments to employees	(24,254)
Payments to suppliers	(17,015)
Other receipts	2,100
Other payments	(4,062)
Net cash used in operating activities	(2,774)
Cash Flows from Noncapital Financing Activities:	
Proceeds from contributions received	855
Transfer to affiliate	(1,577)
Net cash used in noncapital financing activities	(722)
Cash Flows Used in Capital and Related Financing Activities:	
Acquisition of capital assets	(354)
Cash Flows from Investing Activities:	
Investment income	3,807
Purchases of investments and assets whose use is limited	(5,307)
Proceeds from sales and maturities of investments and assets whose use is limited	5,100
Net cash provided by investing activities	3,600
Net decrease in cash and cash equivalents	(250)
Cash and Cash Equivalents	
Beginning of year	363
End of year	<u>\$ 113</u>
Reconciliation of Loss from Operations to	
Net Cash Used in Operating Activities:	
Loss from operations	\$ (846)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation	804
Provision for bad debts	1,259
Changes in assets and liabilities:	
Accounts receivable, patients	(2,216)
Inventories and other current assets	7
Other assets	(93)
Accounts payable and accrued liabilities	(1,562)
Other liabilities	(127)
Net cash used in operating activities	\$ (2,774)
Noncash Investing, Capital and Related Financing Activities:	
Unrealized gains on investments and assets whose use is limited	<u>\$ 2,991</u>

See Notes to Financial Statements.

**Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)**

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies

Description of Organization: Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice") is a not-for-profit corporation, incorporated in the state of Florida, which provides home-based skilled nursing care, social service counseling, inpatient services, and other related services to terminally ill patients located in Volusia, Flagler, Orange and Osceola Counties of Florida. Income is derived from the fees charged for services, donations, and other miscellaneous sources. Hospice is a blended component unit of Halifax Hospital Medical Center ("Medical Center") d/b/a Halifax Health in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 80 since Hospice is organized as a not-for-profit corporation and the Medical Center is its sole corporate member.

A summary of Hospice's significant accounting policies follows:

Accounting Standards: These financial statements have been prepared in accordance with the GASB Codification ("GASB Cod."). The financial statements of Hospice have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents: Hospice considers all unrestricted highly liquid investments with maturities of three months or less when purchased to be cash equivalents, excluding cash and cash equivalents included in assets whose use is limited. Cash deposits are federally insured up to specified limits.

Investments: All investments are reported at fair value in the accompanying statement of net position. Investments are marketable securities representing the investment of cash available for current operations, and as such are reported as current assets. Interest, dividend income, and realized and unrealized gains and losses are included as investment income in the statement of revenues, expenses, and changes in net position.

Assets Whose Use is Limited: Assets whose use is limited includes designated assets set aside and controlled by the Board of Directors (the "Board") for repair and replacement of capital assets and for other purposes. The Board retains control of, and may use, these designated assets for purposes other than those for which the assets were initially designated.

Capital Assets: Purchases of real property and equipment greater than \$1,000 that have a useful life of longer than one year are capitalized at cost. The cost of minor equipment less than \$1,000 and repairs are recorded in operating expenses.

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

Deferred Outflows and Inflows: Certain pension costs are included in deferred outflows and inflows and amortized over a specified period. Amortization of pension related deferred outflows and inflows is included in salaries and benefits expense in the accompanying statement of revenues, expenses, and changes in net position.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies (Continued)

Net Position: Hospice reports net position in accordance with GASB Cod. Sec. 2200 – *Comprehensive Annual Financial Report*. As such, 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 debt proceeds are not included in the calculation of net investment in capital assets.

The restricted component of net position would consist 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. There was no restricted net position as of September 30, 2017.

The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources, 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Expenses: For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of patient care are reported as operating revenue and expenses. Peripheral or incidental transactions, such as gains and losses on the sale and disposal of capital assets, donations, and investment income, are reported as nonoperating revenues, expenses, gains, or losses.

Net Patient Service Revenue and Patient Accounts Receivable: Net patient service revenue and patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered, and includes an estimate for 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. Net patient service revenue for the year ended September 30, 2017 has been reduced by a \$1.2 million retroactive adjustment relating to a Medicare audit for fiscal year September 30, 2015.

Hospice is reimbursed by Medicare and Medicaid based upon per diem rates established by the programs. Medicare makes interim biweekly payments to Hospice based upon projected utilization levels. Differences between payments received and amounts due for actual services rendered are adjusted tri-annually between the fiscal intermediary and Hospice. Hospice is paid by commercial insurance companies at established billing rates for each visit or contracted per diem rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 95% of Hospice's net patient service revenue for the year ended September 30, 2017. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies (Continued)

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 are used to make modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts after collection efforts have been followed in accordance with Hospice policies.

Hospice classifies a patient as charity based on established policies. These policies define charity services as those services for which no additional payment is anticipated. Therefore, these amounts are excluded from net patient service revenue. When assessing a patient's ability to pay, Hospice utilizes percentages of the federal poverty income levels, as well as the relationship between charges and the patient's income. Services may be covered in full, or discounted based on income and a sliding scale.

Net patient service revenue is reported net of charity adjustments, contractual adjustments, and provision for bad debts for the year ended September 30, 2017, as follows (in thousands):

Gross patient charges	\$ 45,337
Charity adjustments	(749)
Contractual adjustments	(1,914)
Net patient service revenue before provision for bad debts	42,674
Provision for bad debts	(1,259)
Net patient service revenue	\$ 41,415

Depreciation: 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 land improvements, 10 to 40 years for buildings, and 3 to 15 years for equipment.

Personal Leave Time: Personal leave time, which includes holiday, sick, and vacation time, that is accrued, but not used at September 30, 2017, is included in accrued payroll and personal leave time in the accompanying statement of net position.

Contributions: Hospice reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are subject to stipulations that expire with the passage of time. However, to the extent that all or a portion of the donor restrictions are met during the same period as the contributions are received, Hospice records the contributions as unrestricted support. The net balance of these donations is recorded as a restricted component of net position in the statement of net position. At September 30, 2017, there was no such restricted component of net position. Gifts of land, buildings, and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies (Continued)

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported separately after nonoperating revenues, expenses and gains (losses) in the statement of revenues, expenses and changes in net position. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Hospice reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Legally enforceable pledges are recorded as receivables in the year the pledge is made. Unconditional pledges for support of current operations are recorded as unrestricted revenue. There are no material amounts of pledges receivable at September 30, 2017.

Costs incurred for soliciting contributions and for promotional materials, as well as costs of holding fund-raising events, are recorded as fund-raising expenses and are included in other expenses in the accompanying financial statements. Fund-raising expenses were not material for the year ended September 30, 2017.

Pension Plan: The Halifax Pension Plan (the "Plan") is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan that covers certain employees of Hospice. 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 6 for more information.

Income Taxes: The Internal Revenue Service has recognized Hospice as exempt from income taxes under Internal Revenue Code Section 501(c)(3), and Hospice is classified as a publicly-supported charity described by Internal Revenue Code Section 509(a)(1). Hospice previously obtained an IRS determination letter that it is exempt from filing Form 990 as an affiliate of a government unit. Although Hospice is not required to file Form 990, the organization is still required to file Form 990T in the event it generates unrelated business income. Hospice had no unrelated business income for the year ended September 30, 2017.

Pending Accounting Pronouncements: In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will be effective for Hospice beginning with its year ending September 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. Hospice is evaluating the impact of this statement on its financial statements.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 1. Description of Business and Significant Accounting Policies (Continued)

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

Note 2. Restatement

Hospice restated net position as of October 1, 2016. Net position was restated to correct net pension liability that was recorded at incorrect amounts. The impact of the restatement to Hospice is as follows (in thousands):

Beginning net position, as previously reported	\$ 83,040
Decrease in total pension liability and change in deferred outflows (inflows)	1,051
Beginning net position, as restated	<u>\$ 84,091</u>

Note 3. Assets Whose Use is Limited and Investments

Hospice 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.

At September 30, 2017, all of Hospice's assets whose use is limited and investments were classified as Level 1. Mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

Assets Whose Use is Limited: Assets whose use is limited was comprised primarily of mutual funds with a fair value of approximately \$2.7 million at September 30, 2017.

Investments: The composition of investments at September 30, 2017, is set forth below (in thousands):

Vanguard Short-Term Investment Grade Fund	\$ 31,544
DFA U.S. Large Cap Value Portfolio	11,667
Vanguard Small Cap Growth Index Fund	5,513
Vanguard Growth Index Fund	5,614
DFA Small Cap Value Portfolio	5,852
DFA International Value Portfolio	3,463
DFA Emerging Markets Value Portfolio	1,400
Vanguard Energy Index Fund	105
Vanguard Health Care Fund	648
Vanguard Energy Fund	572
Total	<u><u>\$ 66,378</u></u>

Investment income on assets whose use is limited and investments for the year ended September 30, 2017, was approximately \$6.8 million and includes unrealized gains of approximately \$3.0 million.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 4. Deposits and Investment Risk

GASB Cod. Sec. 150, *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. 150 also requires the disclosure of the credit quality of investments in debt securities, except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. Government.

Investment Risk: Hospice has an established investment policy 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 Hospice. Excess funds may be invested in, but not limited to:

- U.S. Government securities and repurchase agreements;
- U.S. Government agency obligations;
- 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 United States Government or any agency or instrumentality thereof; and
- 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.

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 performance of the portfolio is reported to Hospice's management and the Board.

Deposit Risk: Deposit risk is the risk that, in the event of the failure of a depository financial institution, Hospice will not be able to recover its deposits. Hospice's deposits are 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. At September 30, 2017, Hospice's cash deposits were not exposed to custodial deposit risk.

**Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
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Notes to Financial Statements

Note 4. Deposits and Investment Risk (Continued)

Credit Risk: The investment policy provides guidelines to investment managers that restrict investments in debt securities to those with an A- rating or better. The policy also has 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, 2017, Hospice does not have investments in debt securities with a single issuer that represent 5% or more of total investments.

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

At September 30, 2017, all of Hospice's investments and assets whose use is limited had a maturity date within one year or no maturity date.

Note 5. Capital Assets

Capital assets are recorded at cost and presented net of accumulated depreciation. A summary of the activities for the year ended September 30, 2017, is as follows (in thousands):

	Balance at September 30, 2016	Increases/ Transfers	Decreases/ Transfers	Balance at September 30, 2017
Capital Assets – at cost:				
Land	\$ 1,954	\$ -	\$ -	\$ 1,954
Land improvements	57	7	-	64
Buildings	22,513	178	-	22,691
Fixed equipment	350	160	-	510
Major moveable equipment	2,253	-	5	2,248
Projects in progress	18	195	186	27
Total capital assets — at cost	27,145	540	191	27,494
Accumulated Depreciation:				
Land improvements	32	8	1	39
Buildings	6,115	624	15	6,724
Fixed equipment	166	43	-	209
Major moveable equipment	1,705	150	2	1,853
Total accumulated depreciation	8,018	825	18	8,825
Capital Assets — net	\$ 19,127	\$ (285)	\$ 173	\$ 18,669

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 6. Pension Plan and Other Postemployment Benefits

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, Halifax Staffing, Inc. ("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. Hospice's proportional share of 2017 contributions was \$1.2 million. Hospice's proportional share of deferred outflows, inflows and net pension liability are recorded in the accompanying statement of net position. 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 the Medical Center'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. The Medical Center 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, 2016, the measurement date, the Plan included 513 active employees, 539 terminated but vested participants, and 957 retired participants and beneficiaries.

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

The contribution rate is determined on an actuarial basis. Hospice and Staffing contributed \$19.8 million to the Plan in fiscal year 2017 of which \$1.2 million relates to Hospice's portion of the contribution and is recorded on the statement of net position as a deferred outflow at September 30, 2017. Staffing's proportionate share of the contribution, expense and net pension liability is 94.37% and Hospice's proportionate share is 5.63% for fiscal year 2017. The proportionate share calculation is based on the present value of future salaries for active employees of each Staffing and Hospice.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 6. Pension Plan and Other Postemployment Benefits (Continued)

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

Actuarial Methods and Assumptions

Mortality table	RP-2014 Mortality Table (sex-distinct), Scale MP2016
Interest rate	6.75% annually, compounded
Pay increase	N/A
Cost of living adjustment	3%
Measurement date	September 30, 2016
Valuation date	October 1, 2015
Allocation of Plan assets	40-70% Equities 30-60% Fixed income
Real rate of return	Overall - 10.42%, arithmetic mean Equities - 19.36% Fixed income - 1.36%
Experience study date	October 1, 2016

The discount rate used in measuring the total pension liability was 6.75% for fiscal years 2017 and 2016. 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. The Plan's net pension liability at September 30, 2017 using a discount rate of 5.75% would have been \$125.2 million, and using a discount rate of 7.75% would have been \$57.7 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.

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

**Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)**

**Preliminary Draft
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Notes to Financial Statements

Note 6. Pension Plan and Other Postemployment Benefits (Continued)

The Plan's net pension liability at September 30, 2017 using a discount rate of 6.75% was \$88.8 million. Since the last measurement date, September 30, 2015, the Plan updated its assumptions regarding mortality tables to more reasonably reflect the actual experience of the Plan. Changes in the pension accounts since the last valuation date, and pension expense are as follows (in thousands):

	Deferred Outflow - Pension Contributions	Deferred Outflow - Investment gains	Deferred Outflow - Liability loss	Deferred Inflow - Change in assumptions	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Pension Expense
Balance at September 30, 2016	\$ 21,236	\$ 16,971	\$ 298	\$ (4,030)	\$ (322,844)	\$ 214,911	\$ (107,933)	\$ -
Service cost	-	-	-	-	(4,441)	-	(4,441)	4,441
Interest cost	-	-	-	-	(21,234)	-	(21,234)	21,234
Difference in expected and actual experience	-	(5,687)	1,996	-	(1,996)	5,687	3,691	-
Changes of assumptions	-	-	-	(4,800)	4,800	-	4,800	-
Projected investment income	-	-	-	-	-	15,205	15,205	(15,205)
Benefit payments	-	-	-	-	16,818	(16,818)	-	-
Expenses	-	-	-	-	-	(77)	(77)	77
Contributions recognized in Plan Fiduciary Net Position	(21,236)	-	-	-	-	21,236	21,236	-
Contributions made after measurement date	21,060	-	-	-	-	-	-	-
Amortization of deferred inflows	-	(2,069)	(747)	4,443	-	-	-	(1,627)
Balance at September 30, 2017	\$ 21,060	\$ 9,215	\$ 1,547	\$ (4,387)	\$ (328,897)	\$ 240,144	\$ (88,753)	\$ 8,920

Proportionate share of the above balances as of September 30, 2017:

Medical Center	\$ 19,873	\$ 8,696	\$ 1,460	\$ (4,140)	\$ (310,381)	\$ 226,624	\$ (83,757)	\$ 8,417
Hospice	1,187	519	87	(247)	(18,516)	13,520	(4,996)	503
	\$ 21,060	\$ 9,215	\$ 1,547	\$ (4,387)	\$ (328,897)	\$ 240,144	\$ (88,753)	\$ 8,920

**Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)**

Notes to Financial Statements

Note 6. Pension Plan and Other Postemployment Benefits (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2017, the amount of deferred outflows to be realized in future years, and the amount of deferred inflows to be recognized in future years' pension expense as follows (in thousands):

	Deferred Outflow - Contributions	Deferred Outflow - Investment Gains	Deferred Outflow - Liability Loss	Deferred Inflow - Change in Assumptions	To Be Recognized in Future Pension Expense
Balance at September 30, 2017	\$ 1,187	\$ 519	\$ 87	\$ (247)	\$ -
2018	(1,187)	(117)	(70)	206	(19)
2019	-	(243)	(17)	41	219
2020	-	(222)	-	-	222
2021	-	63	-	-	(63)
	\$ -	\$ -	\$ -	\$ -	\$ 359

Defined Contribution Pension Plan: Hospice offers a 403(b) defined contribution pension plan (the "Contribution Plan") to employees. 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.

Hospice's cost of the Contribution Plan for the year ended September 30, 2017, was approximately \$417,000 and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position.

Other Postemployment Benefit (OPEB): Qualified retired employees are eligible for certain postretirement benefit plans other than pensions (OPEB). Hospice participates in the Insurance Subsidy OPEB sponsored by Staffing that provides certain postretirement benefits to qualified employees. All employees with ten years of benefited service as a participant in the Plan or the Florida Retirement System are eligible to receive a subsidy for health insurance premiums. The participant must present, at the time of retirement, evidence of health insurance coverage, either through an insurance company or Medicare. The Insurance Subsidy OPEB is calculated based on the number of years of service and is limited to a maximum annual benefit of \$1,800 per participant. Information as to Hospice's portion of the costs and obligations of the Insurance Subsidy OPEB is not available as these amounts are determined on an aggregate basis for the entire Insurance Subsidy OPEB. The Schedule of Funding Progress related to this Plan is included in the financial statements and required supplementary information of the Medical Center.

Note 7. Related-Party Transactions

The Medical Center provides certain inpatient and outpatient services to Hospice patients. Payments for these services by Hospice to the Medical Center are based upon a per diem rate and percentage of established rates, and approximated \$175,000 during the year ended September 30, 2017. Also, the Medical Center pays certain expenses of Hospice, and provides certain services, which are subsequently reimbursed. The Medical Center holds approximately \$4.6 million on deposit from Hospice to cover such future expenses. Hospice has reported this amount in other noncurrent assets. Hospice also leases land from the Medical Center for approximately \$52,000 annually.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)

Notes to Financial Statements

Note 8. Commitments and Contingencies

Hospice is insured for professional liability coverage under an occurrence-basis policy. Management expects that any claims against Hospice would be settled within the coverage limits of the policy. Hospice participates in the Medical Center's workers' compensation insurance plans. Hospice is subject to potential litigation arising in the ordinary course of business. Management is currently not aware of any such litigation.

Leases: Hospice is committed under various noncancelable operating leases. These expire in various years through 2023. Future minimum operating lease payments are as follows (in thousands):

Years ending September 30:

2018	\$ 735
2019	662
2020	220
2021	66
2022	52
2023	52
Total minimum lease payments required	<u>\$ 1,787</u>

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

Note 9. Concentrations of Credit Risk

Hospice grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at September 30, 2017, was as follows:

Medicare	39%
Medicaid	50%
Other third-party payors	8%
Patients	3%
	<u>100%</u>

Required Supplementary Information

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability
Year Ended September 30, 2017
(In thousands)

	Total Pension Liability, as restated (a)	Plan Fiduciary Net Pension, as restated (b)	Net Pension Liability, as restated (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

Source: BPAS Actuarial and Pension Services.

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Year Ended September 30, 2017
(In thousands)

Actuarial Valuation Date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Staffing Proportionate Share (a-b) * 94.37%	Hospice Proportionate Share (a-b) * 5.63%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll (a-b)/(c)
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 Hospice, Inc.
d/b/a Halifax Health Hospice
(A Blended Component Unit of Halifax Hospital Medical Center)
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions
Year Ended September 30, 2017
(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, 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

Halifax Hospice, Inc.
d/b/a Halifax Health Hospice
(A Discrete Component Unit of Halifax Hospital Medical Center)

Note to Required Supplementary Information – Halifax Pension Plan (Unaudited)

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, 2015
Actuarial cost method	Traditional Unit Credit
Amortization method	10 year, closed
Remaining amortization period	Varies
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	NA
Cost-of-living adjustments	3.00%
Mortality	RP-2014 Mortality Table (sex-distinct), Scale MP2016
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, 2015, the Plan updated its assumptions regarding mortality tables. A recent update to the Florida Statutes requires the use of the same assumption as used by the actuary for the Florida Retirement System Pension Plan. This change in Plan assumption resulted in a decrease in the pension liability of approximately \$4.8 million at September 30, 2017.

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

Halifax Health
Summary Financial Narrative
For the two months ended November 30, 2017

The performance of Halifax Health (HH) compared to budget and long-range targets (S&P "A" rated medians) for key financial indicators is as follows.

Financial Indicator	YTD Actual FY 18	YTD Budget FY 18	YTD Actual vs. Budget	S&P "A"	YTD Actual FY 18 vs. S&P "A"
Total Margin	3.2%	1.2%	Favorable	5.8%	Unfavorable
Operating Margin	1.0%	0.3%	Favorable	3.6%	Unfavorable
EBIDA Margin	10.8%	8.6%	Favorable	13.1%	Unfavorable
Operating EBIDA Margin	8.7%	7.8%	Favorable	10.8%	Unfavorable
Adjusted Operating EBIDA Margin *	7.9%	7.6%	Favorable	N/A	N/A
Days Cash on Hand	243	258	Unfavorable	249	Unfavorable
Cash to Debt	93.1%	102.8%	Unfavorable	189.9%	Unfavorable
Debt to Capitalization	55.4%	53.3%	Unfavorable	29.1%	Unfavorable
OG MADS Coverage	2.00	1.80	Favorable	4.50	Unfavorable
OG Debt to Capitalization	54.5%	52.9%	Unfavorable	29.1%	Unfavorable

* -Excludes investment income/loss of Foundation recorded as operating income.

Halifax Health Medical Center

Statistical Summary--

- Admissions for the month and fiscal year-to-date are greater than budget and last year.
- Patient days for the month are less than budget and last year; and for the fiscal year-to-date are greater than budget and less than last year.
 - Observation patient days for the month and fiscal year-to-date are greater than budget and last year.
- Surgery volumes for the month and fiscal year-to-date are greater than budget and last year.
- Emergency Room visits for the month and fiscal year-to-date are greater than budget and last year.

Financial Summary --

- Net patient service revenue for the fiscal year-to-date is 2.3% less than budget.
- Total operating expenses for the fiscal year-to-date are 1.2% less than budget.
- Loss from operations for the fiscal year-to-date of \$621,000 compares unfavorably to budget by \$288,000.
- Nonoperating gains/losses for the fiscal year-to-date of \$484,000, primarily consisting of net investment income, compares favorably to the budgeted amount by \$126,000.
- The decrease in net position for the fiscal year-to-date of \$137,000 compares unfavorably to budget by \$162,000.

Halifax Health Hospice

Statistical Summary --

- Patient days for the month and fiscal year-to-date are greater than budget and last year.

Financial Summary --

- Net patient service revenue for the fiscal year-to-date is 1.7% greater than budget.
- Income from operations for the fiscal year-to-date of \$191,000 compares favorably to budget by \$198,000.
- Nonoperating gains/losses for the fiscal year-to-date of \$1.6 million, primarily consisting of net investment income, compares favorably to the budgeted amount by \$1.1 million.
- The increase in net position for the fiscal year-to-date of \$1.8 million compares favorably to budget by \$1.3 million.

Other Component Units - The financial performance is consistent with budgeted expectations.

Halifax Health Statistical Summary

Month Ended November 30,					Two Months Ended November 30,			
<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>		<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>
				<u>Inpatient Activity</u>				
1,501	1,579	1,511	4.5%	HHMC Adult/Ped Admissions	3,078	3,160	3,097	2.0%
124	158	146	8.2%	HHMCPO Adult/Ped Admissions	277	326	300	8.7%
149	172	150	14.7%	Adult Psych Admissions	299	363	308	17.9%
66	63	53	18.9%	Rehabilitative Admissions	125	126	111	13.5%
1,840	1,972	1,860	6.0%	Total Adult/Ped Admissions	3,779	3,975	3,816	4.2%
8,276	7,382	7,280	1.4%	HHMC Adult/Ped Patient Days	17,113	15,496	14,925	3.8%
801	653	624	4.6%	HHMCPO Adult/Ped Patient Days	1,570	1,459	1,281	13.9%
1,403	1,061	1,485	-28.6%	Adult Psych Patient Days	2,948	2,567	3,050	-15.8%
793	945	785	20.4%	Rehabilitative Patient Days	1,663	1,826	1,647	10.9%
11,273	10,041	10,174	-1.3%	Total Adult/Ped Patient Days	23,294	21,348	20,903	2.1%
5.5	4.7	4.8	-3.0%	HHMC Average Length of Stay	5.6	4.9	4.8	1.8%
6.5	4.1	4.3	-3.3%	HHMCPO Average Length of Stay	5.7	4.5	4.3	4.8%
5.6	4.6	4.8	-3.0%	HHMC/ HHMCPO Average Length of Stay	5.6	4.9	4.8	2.0%
9.4	6.2	9.9	-37.7%	Adult Psych Average Length of Stay	9.9	7.1	9.9	-28.6%
12.0	15.0	14.8	1.3%	Rehabilitative Length of Stay	13.3	14.5	14.8	-2.3%
6.1	5.1	5.5	-6.9%	Total Average Length of Stay	6.2	5.4	5.5	-2.0%
376	335	339	-1.3%	Total Average Daily Census	382	350	343	2.1%
884	829	794	4.4%	HHMC Observation Patient Day Equivalents	1,660	1,648	1,558	5.8%
105	165	170	-2.9%	HHMCPO Observation Patient Day Equivalents	295	353	340	3.8%
989	994	964	3.1%	Total Observation Patient Day Equivalents	1,955	2,001	1,898	5.4%
33	33	32	3.1%	Observation Average Daily Census	32	33	31	6.5%
158	147	169	-13.0%	HHMC Newborn Births	279	280	298	-6.0%
277	267	300	-11.0%	HHMC Nursery Patient Days	511	498	554	-10.1%
435	474	419	13.1%	HHMC Inpatient Surgeries	886	955	902	5.9%
4	9	3	200.0%	HHMCPO Inpatient Surgeries	7	20	6	233.3%
439	483	422	14.5%	Total Inpatient Surgeries	893	975	908	7.4%
				<u>Inpatient Surgeries</u>				
172	157			Orthopedics	363	327		
67	67			General Surgery	134	138		
40	36			Neurosurgery	81	67		
26	19			Thoracic Surgery	55	53		
28	31			Vascular	45	67		
106	173			All Other	215	323		
439	483	422	14.5%	Total Inpatient Surgeries	893	975	908	7.4%

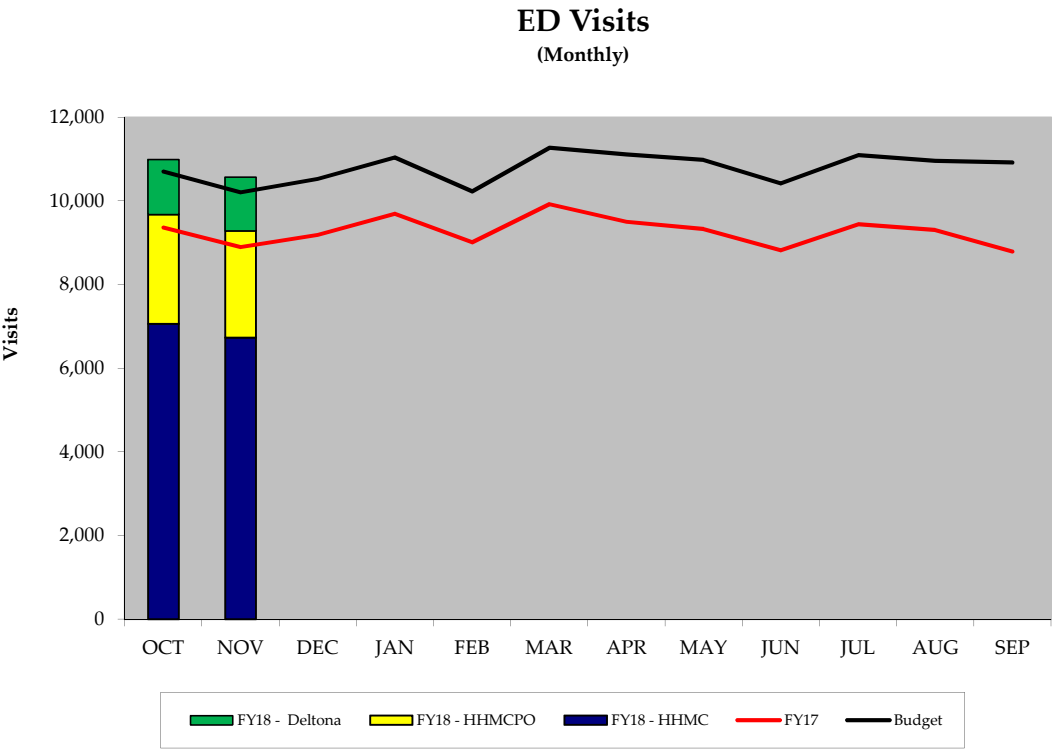
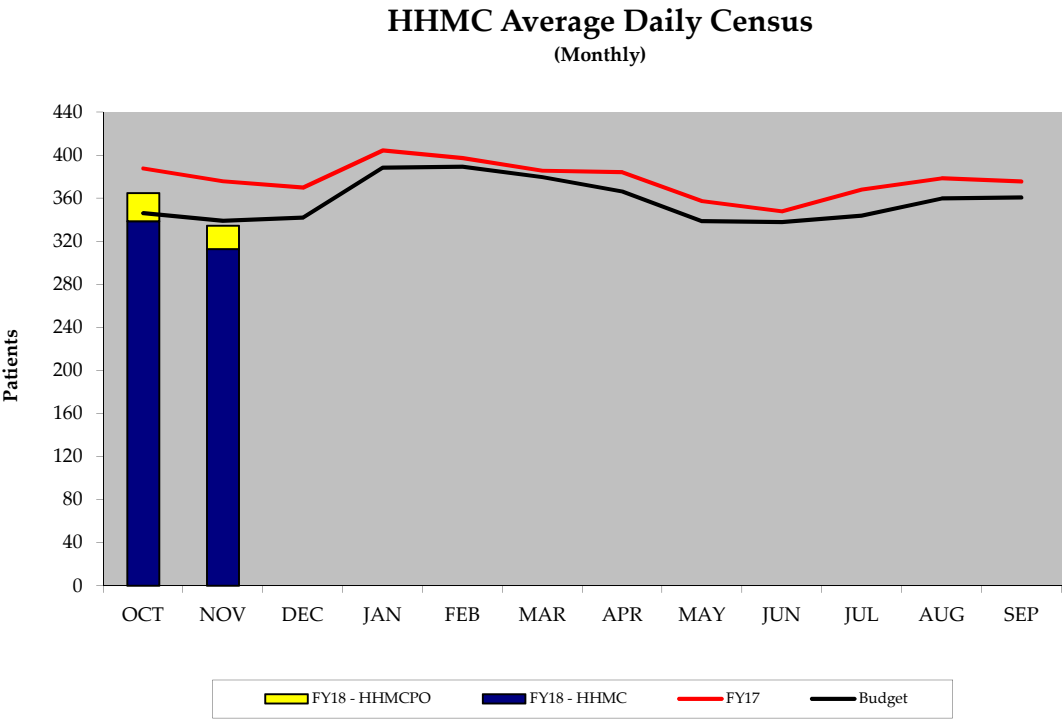
Halifax Health Statistical Summary

Month Ended November 30,				Two Months Ended November 30,				
<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>		<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>
				<u>Outpatient Activity</u>				
6,527	6,735	6,593	2.2%	HHMC ED Registrations	13,348	13,795	13,477	2.4%
2,375	2,552	2,382	7.1%	HHMCPO ED Registrations	4,917	5,170	4,932	4.8%
0	1,281	1,230	4.1%	Deltona ED Registrations	0	2,594	2,501	3.7%
8,902	10,568	10,205	3.6%	Total ED	18,265	21,559	20,910	3.1%
409	354	382	-7.3%	HHMC Outpatient Surgeries	788	748	774	-3.4%
56	1	0	0.0%	HPC Outpatient Surgeries	124	1	0	0.0%
0	125	107	16.8%	HHMCPO Outpatient Surgeries	0	246	217	13.4%
374	351	324	8.3%	Twin Lakes Surgeries	722	728	642	13.4%
839	831	813	2.2%	Total Outpatient Surgeries	1,634	1,723	1,633	5.5%
				<u>Outpatient Surgeries</u>				
190	147			General Surgery	372	321		
148	126			Orthopedics	291	285		
93	124			Gastroenterology	187	251		
82	75			Obstetrics Gynecology	152	148		
55	70			Ophthalmology	107	146		
271	289			All Other	525	572		
839	831	813	2.2%	Total Outpatient Surgeries	1,634	1,723	1,633	5.5%
				<u>Cardiology Procedures</u>				
21	21			Open Heart Cases	36	45		
112	143			Cardiac Caths	251	345		
39	32			CRM Devices	68	56		
46	39			EP Studies	85	87		
218	235	215	9.3%	Total Cardiology Procedures	440	533	470	13.4%
				<u>Interventional Radiology Procedures</u>				
5	10	6	66.7%	Vascular	7	18	14	28.6%
147	155	151	2.6%	Nonvascular	290	293	298	-1.7%
152	165	157	5.1%	Total Interventional Radiology Procedures	297	311	312	-0.3%
184	229	174	31.6%	GI Procedures	371	442	361	22.4%
				<u>HH Hospice Activity</u>				
				<u>Patient Days</u>				
14,876	16,206	15,002	8.0%	Volusia/ Flagler	29,846	32,649	30,503	7.0%
822.0	1,437	1,255	14.5%	Orange/ Osceola	1,611.0	2,926	2,495	17.3%
15,698	17,643	16,257	8.5%	HH Hospice Patient Days	31,457	35,575	32,998	7.8%
				<u>Average Daily Census</u>				
496	540	500	8.0%	Volusia/ Flagler	489	535	500	7.0%
27	48	42	14.5%	Orange/ Osceola	26	48	41	17.3%
523	588	542	8.5%	HH Hospice Average Daily Census	515	583	541	7.8%

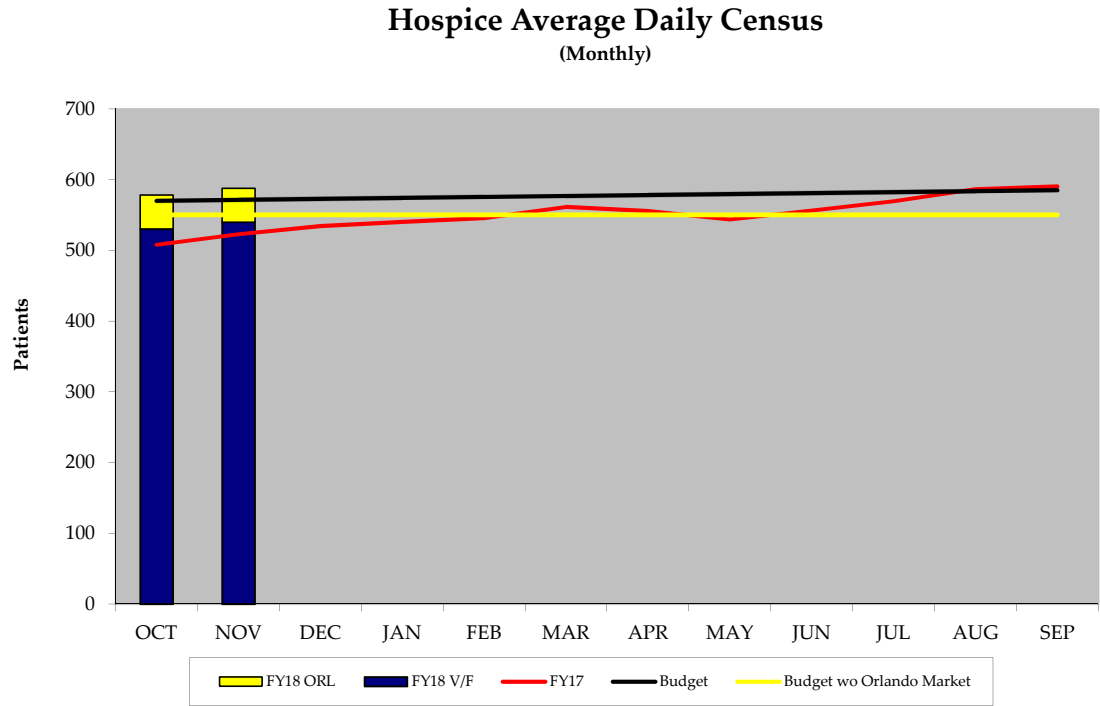
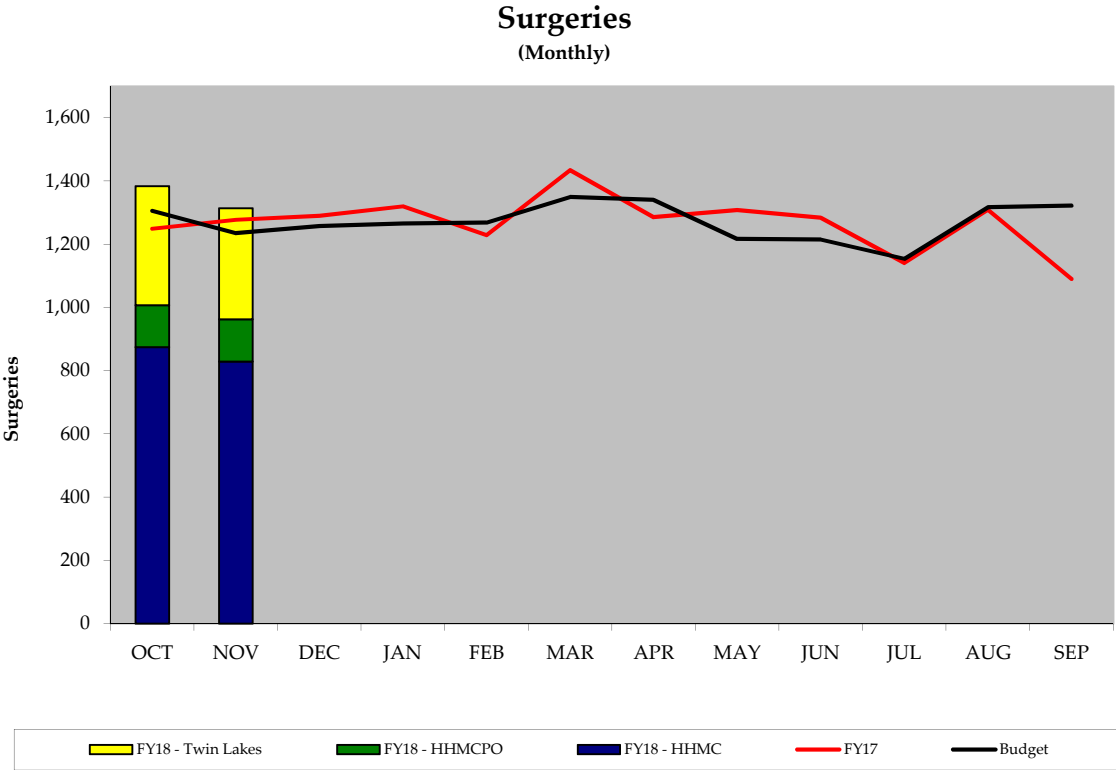
Halifax Health Statistical Summary

Month Ended November 30,				Two Months Ended November 30,			
<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>	<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>
<u>Physician Practice Activity</u>							
<u>Primary Care Visits</u>							
298	389	231	68.4%	Ormond Beach	554	750	552 35.9%
987	1,115	1,018	9.5%	Daytona Beach	2,040	2,287	2,104 8.7%
675	717	624	14.9%	Port Orange	1,334	1,434	1,234 16.2%
324	318	668	-52.4%	Deltona	640	642	1,320 -51.4%
-	898	800	12.3%	New Smyrna	-	1,788	1,600 11.8%
491	605	461	31.2%	Ormond Beach (Women's/OB)	912	1,248	937 33.2%
-	326	848	-61.6%	Ormond Beach - Urgent Care	-	610	1,724 -64.6%
2,775	4,368	4,650	-6.1%	Primary Care Visits	5,480	8,759	9,471 -7.5%
				<u>Children's Medical Center Visits</u>			
974	549	762	-28.0%	Ormond Beach	1,788	1,195	1,803 -33.7%
-	341	323	5.6%	Palm Coast	293	602	697 -13.6%
506	474	707	-33.0%	Port Orange	953	991	1,332 -25.6%
1,480	1,364	1,792	-23.9%	Children's Medical Center Visits	3,034	2,788	3,832 -27.2%
				<u>Community Clinic Visits</u>			
381	334	391	-14.6%	Keech Street	724	704	743 -5.2%
221	-	-	0.0%	Adult Community Clinic	428	92	75 22.7%
602	334	391	-14.6%	Community Clinic Visits	1,152	796	818 -2.7%

Halifax Health Statistical Summary - Graphic



Halifax Health Statistical Summary - Graphic



Halifax Health

Condensed Statement of Net Position

(\$ in thousands)

	November 30,		
	2017	2016	Change
<u>Assets</u>			
Cash and cash equivalents	\$23,765	\$39,347	(\$15,582)
Investments	271,379	267,437	3,942
Board designated assets	45,145	44,726	419
Accounts receivable	64,595	60,681	3,914
Restricted assets whose use is limited	6,427	19,164	(12,737)
Other assets	52,336	52,098	238
Deferred outflow - swap	29,745	35,243	(5,498)
Deferred outflow - loss on bond refunding	16,301	17,225	(924)
Deferred outflow - pension	23,316	58,096	(34,780)
Property, plant and equipment	353,627	354,747	(1,120)
Total Assets	<u>\$886,636</u>	<u>\$948,764</u>	<u>(\$62,128)</u>
<u>Liabilities and Net position</u>			
Accounts payable	\$32,094	\$29,644	\$2,450
Other liabilities	96,315	98,003	(1,688)
Net pension liability	68,279	131,108	(62,829)
Long-term debt	346,465	354,003	(7,538)
Premium on LTD, net	19,150	19,820	(670)
Long-term value of swap	29,745	35,243	(5,498)
Net position	294,588	280,943	13,645
Total Liabilities and Net position	<u>\$886,636</u>	<u>\$948,764</u>	<u>(\$62,128)</u>

Halifax Health
Statement of Cash Flows
(\$ in thousands)

Month ended November 30, 2017	Month ended November 30, 2016	Variance		Two Months ended November 30, 2017	Two Months ended November 30, 2016	Variance
			Cash flows from operating activities:			
\$39,802	\$42,633	(\$2,831)	Receipts from third party payors and patients	\$81,687	\$81,073	\$614
(28,368)	(21,877)	(6,491)	Payments to employees	(70,285)	(65,173)	(5,112)
(12,167)	(14,626)	2,459	Payments to suppliers	(42,215)	(31,676)	(10,539)
144	2,363	(2,219)	Receipt of ad valorem taxes	162	2,409	(2,247)
2,181	2,697	(516)	Other receipts	2,830	5,371	(2,541)
(3,690)	(3,532)	(158)	Other payments	(7,376)	(7,102)	(274)
(2,098)	7,658	(9,756)	Net cash provided by (used in) operating activities	(35,197)	(15,098)	(20,099)
			Cash flows from noncapital financing activities:			
6	53	(47)	Proceeds from donations received	66	137	(71)
6	53	(47)	Net cash provided by noncapital financing activities	66	137	(71)
			Cash flows from capital and related financing activities:			
(1,287)	(952)	(335)	Acquisition of capital assets	(3,349)	(3,040)	(309)
(201)	(195)	(6)	Payment of long-term debt	(401)	(390)	(11)
(327)	(358)	31	Payment of interest on long-term debt	(677)	(738)	61
(1,815)	(1,505)	(310)	Net cash used in capital financing activities	(4,427)	(4,168)	(259)
			Cash flows from investing activities:			
675	683	(8)	Realized investment income (loss)	850	855	(5)
(727)	(733)	6	Purchases of investments/limited use assets	(970)	(980)	10
15	13	2	Sales/Maturities of investments/limited use assets	20	28	(8)
(37)	(37)	-	Net cash provided by (used in) investing activities	(100)	(97)	(3)
(3,944)	6,169	(10,113)	Net increase (decrease) in cash and cash equivalents	(39,658)	(19,226)	(20,432)
27,709	33,178	(5,469)	Cash and cash equivalents at beginning of period	63,423	58,573	4,850
<u>\$23,765</u>	<u>\$39,347</u>	<u>(\$15,582)</u>	Cash and cash equivalents at end of period	<u>\$23,765</u>	<u>\$39,347</u>	<u>(\$15,582)</u>

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended November 30, 2017	Actual Month Ended November 30, 2016	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2017	Actual Two Months Ended November 30, 2016	Favorable (Unfavorable) Variance
			Operating revenues:			
\$53,104	\$46,354	\$6,750	Net patient service revenue, before provision for bad debts	\$106,580	\$96,029	\$10,551
(11,488)	(5,779)	(5,709)	Provision for bad debts	(22,695)	(15,007)	(7,688)
41,616	40,575	1,041	Net patient service revenue	83,885	81,022	2,863
504	938	(434)	Ad valorem taxes	1,008	1,875	(867)
2,802	3,156	(354)	Other revenue	5,503	4,358	1,145
44,922	44,669	253	Total operating revenues	90,396	87,255	3,141
			Operating expenses:			
21,864	22,568	704	Salaries and benefits	45,411	47,187	1,776
6,722	5,848	(874)	Purchased services	13,387	11,843	(1,544)
8,152	7,670	(482)	Supplies	16,275	15,713	(562)
2,115	2,013	(102)	Depreciation and amortization	4,220	4,039	(181)
1,373	1,417	44	Interest	2,769	2,854	85
577	613	36	Ad valorem tax related expenses	1,169	1,227	58
803	702	(101)	Leases and rentals	1,611	1,424	(187)
2,374	2,273	(101)	Other	4,667	4,547	(120)
43,980	43,104	(876)	Total operating expenses	89,509	88,834	(675)
942	1,565	(623)	Excess (deficiency) of operating revenues over expenses	887	(1,579)	2,466
			Nonoperating revenues, expenses, and gains/(losses):			
675	683	(8)	Realized investment income/(losses)	851	856	(5)
540	363	177	Unrealized investment income/(losses)	1,159	(1,150)	2,309
6	53	(47)	Donation revenue	65	138	(73)
1,221	1,099	122	Total nonoperating revenues, expenses, and gains/(losses)	2,075	(156)	2,231
\$2,163	\$2,664	(\$501)	Increase (decrease) in net position	\$2,962	(\$1,735)	\$4,697

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended November 30, 2017	Static Budget Month Ended November 30, 2017	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2017	Static Budget Two Months Ended November 30, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$53,104	\$49,195	\$3,909	Net patient service revenue, before provision for bad debts	\$106,580	\$101,487	\$5,093
(11,488)	(7,809)	(3,679)	Provision for bad debts	(22,695)	(15,875)	(6,820)
41,616	41,386	230	Net patient service revenue	83,885	85,612	(1,727)
504	504	-	Ad valorem taxes	1,008	1,008	-
2,802	2,167	635	Other revenue	5,503	4,359	1,144
44,922	44,057	865	Total operating revenues	90,396	90,979	(583)
			Operating expenses:			
21,864	23,575	1,711	Salaries and benefits	45,411	48,328	2,917
6,722	6,064	(658)	Purchased services	13,387	12,246	(1,141)
8,152	7,703	(449)	Supplies	16,275	15,884	(391)
2,115	2,007	(108)	Depreciation and amortization	4,220	4,014	(206)
1,373	1,394	21	Interest	2,769	2,789	20
577	547	(30)	Ad valorem tax related expenses	1,169	1,124	(45)
803	803	-	Leases and rentals	1,611	1,608	(3)
2,374	2,350	(24)	Other	4,667	4,701	34
43,980	44,443	463	Total operating expenses	89,509	90,694	1,185
942	(386)	1,328	Excess (deficiency) of operating revenues over expenses	887	285	602
			Nonoperating revenues, expenses, and gains/(losses):			
675	365	310	Realized investment income/(losses)	851	732	119
540	(2)	542	Unrealized investment income/(losses)	1,159	(3)	1,162
6	58	(52)	Donation revenue	65	115	(50)
1,221	421	800	Total nonoperating revenues, expenses, and gains/(losses)	2,075	844	1,231
\$2,163	\$35	\$2,128	Increase in net position	\$2,962	\$1,129	\$1,833

Halifax Health Medical Center
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended November 30, 2017	Static Budget Month Ended November 30, 2017	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2017	Static Budget Two Months Ended November 30, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$49,519	\$45,694	\$3,825	Net patient service revenue, before provision for bad debts	\$99,332	\$94,380	\$4,952
(11,380)	(7,724)	(3,656)	Provision for bad debts	(22,501)	(15,702)	(6,799)
38,139	37,970	169	Net patient service revenue	76,831	78,678	(1,847)
504	504	-	Ad valorem taxes	1,008	1,008	-
1,755	1,394	361	Other revenue	3,368	2,814	554
40,398	39,868	530	Total operating revenues	81,207	82,500	(1,293)
			Operating expenses:			
19,889	21,556	1,667	Salaries and benefits	41,390	44,141	2,751
5,571	4,992	(579)	Purchased services	11,135	10,082	(1,053)
7,946	7,484	(462)	Supplies	15,887	15,440	(447)
1,984	1,881	(103)	Depreciation and amortization	3,959	3,762	(197)
1,368	1,389	21	Interest	2,758	2,778	20
577	547	(30)	Ad valorem tax related expenses	1,169	1,124	(45)
628	633	5	Leases and rentals	1,254	1,266	12
2,147	2,120	(27)	Other	4,276	4,240	(36)
40,110	40,602	492	Total operating expenses	81,828	82,833	1,005
288	(734)	1,022	Excess (deficiency) of operating revenues over expenses	(621)	(333)	(288)
			Nonoperating revenues, expenses, and gains/(losses):			
619	180	439	Realized investment income/(losses)	739	361	378
(262)	(2)	(260)	Unrealized investment income/(losses)	(254)	(3)	(251)
-	-	-	Donation revenue	(1)	-	(1)
357	178	179	Total nonoperating revenues, expenses, and gains/(losses)	484	358	126
\$645	(\$556)	\$1,201	Increase (decrease) in net position	(\$137)	\$25	(\$162)

Halifax Health Medical Center
Net Patient Service Revenue
(\$ in thousands)

Actual Month Ended November 30, 2016		Actual Month Ended November 30, 2017		Static Budget Month Ended November 30, 2017			Actual Two Months Ended November 30, 2016		Actual Two Months Ended November 30, 2017		Static Budget Two Months Ended November 30, 2017	
\$148,439	100.00%	\$160,267	100.00%	\$155,010	100.00%	Gross charges	\$293,286	100.00%	\$325,781	100.00%	\$317,414	100.00%
(11,011)	-7.42%	(8,761)	-5.47%	(8,143)	-5.25%	Charity	(19,673)	-6.71%	(18,472)	-5.67%	(16,678)	-5.25%
(94,248)	-63.49%	(101,987)	-63.64%	(101,173)	-65.27%	Contractual adjustments	(183,948)	-62.72%	(207,977)	-63.84%	(206,356)	-65.01%
43,180	29.09%	49,519	30.90%	45,694	29.48%	Gross charges, before provision for bad debts	89,665	30.57%	99,332	30.49%	94,380	29.73%
(5,729)	-3.86%	(11,380)	-7.10%	(7,724)	-4.98%	Provision for bad debts	(14,852)	-5.06%	(22,501)	-6.91%	(15,702)	-4.95%
\$37,451	25.23%	\$38,139	23.80%	\$37,970	24.50%	Net patient service revenue	\$74,813	25.51%	\$76,831	23.58%	\$78,678	24.79%

Halifax Health Hospice
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended November 30, 2017	Static Budget Month Ended November 30, 2017	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2017	Static Budget Two Months Ended November 30, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$3,585	\$3,501	\$84	Net patient service revenue, before provision for bad debts	\$7,248	\$7,107	\$141
(108)	(85)	(23)	Provision for bad debts	(194)	(173)	(21)
3,477	3,416	61	Net patient service revenue	7,054	6,934	120
181	199	(18)	Other revenue	376	398	(22)
3,658	3,615	43	Total operating revenues	7,430	7,332	98
			Operating expenses:			
1,906	1,950	44	Salaries and benefits	3,881	4,047	166
1,112	1,029	(83)	Purchased services	2,173	2,080	(93)
206	218	12	Supplies	388	442	54
64	59	(5)	Depreciation and amortization	128	119	(9)
170	165	(5)	Leases and rentals	347	332	(15)
163	159	(4)	Other	322	319	(3)
3,621	3,580	(41)	Total operating expenses	7,239	7,339	100
37	35	2	Excess (deficiency) of operating revenues over expenses	191	(7)	198
			Nonoperating revenues, expenses, and gains/(losses):			
56	185	(129)	Realized investment income/(losses)	112	371	(259)
802	-	802	Unrealized investment income/(losses)	1,413	-	1,413
6	58	(52)	Donation revenue	66	115	(49)
864	243	621	Total nonoperating revenues, expenses, and gains/(losses)	1,591	486	1,105
\$901	\$278	\$623	Increase in net position	\$1,782	\$479	\$1,303

Volusia Health Network / Halifax Management Systems
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended November 30, 2017	Static Budget Month Ended November 30, 2017	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2017	Static Budget Two Months Ended November 30, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$0	\$0	\$0	Net patient service revenue, before provision for bad debts	\$0	\$0	\$0
-	-	-	Provision for bad debts	-	-	-
-	-	-	Net patient service revenue	-	-	-
350	352	(2)	Other revenue	701	703	(2)
350	352	(2)	Total operating revenues	701	703	(2)
			Operating expenses:			
58	59	1	Salaries and benefits	120	119	(1)
38	39	1	Purchased services	77	77	-
-	1	1	Supplies	-	2	2
67	67	-	Depreciation and amortization	133	133	-
5	5	-	Interest	11	11	-
5	5	-	Leases and rentals	10	10	-
1	4	3	Other	1	8	7
174	180	6	Total operating expenses	352	360	8
176	172	4	Excess of operating revenues over expenses	349	343	6
			Nonoperating revenues, expenses, and gains/(losses):			
-	-	-	Realized investment income/(losses)	-	-	-
-	-	-	Unrealized investment income/(losses)	-	-	-
-	-	-	Donation revenue	-	-	-
-	-	-	Nonoperating gains/(losses), net	-	-	-
-	-	-	Total nonoperating revenues, expenses, and gains/(losses)	-	-	-
\$176	\$172	\$4	Increase in net position	\$349	\$343	\$6

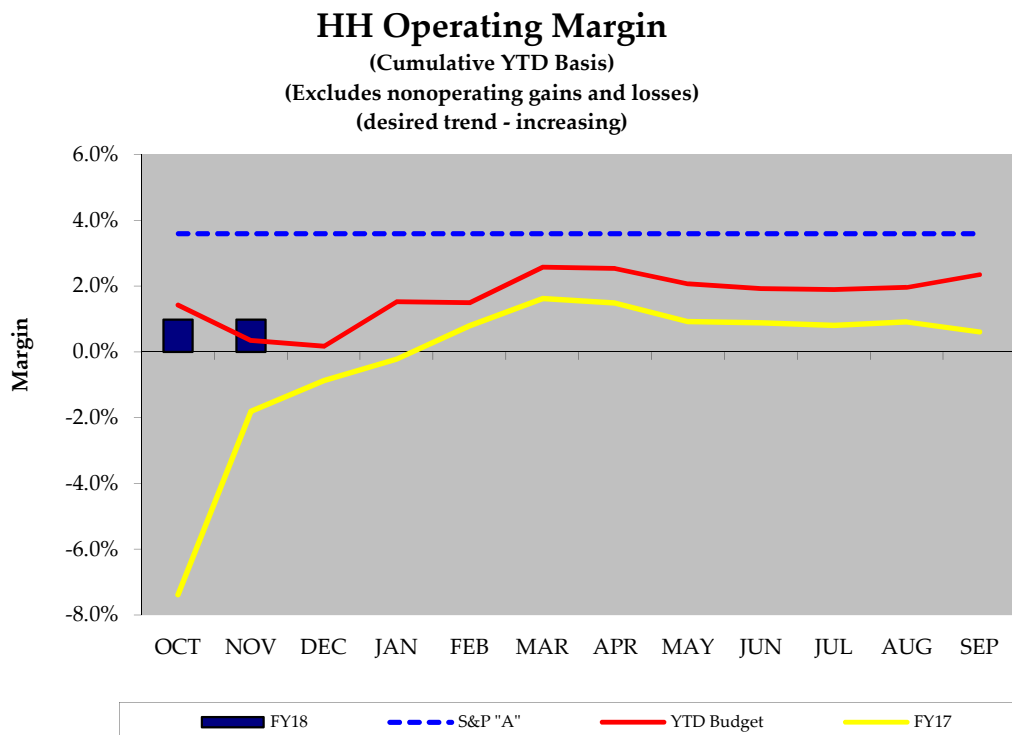
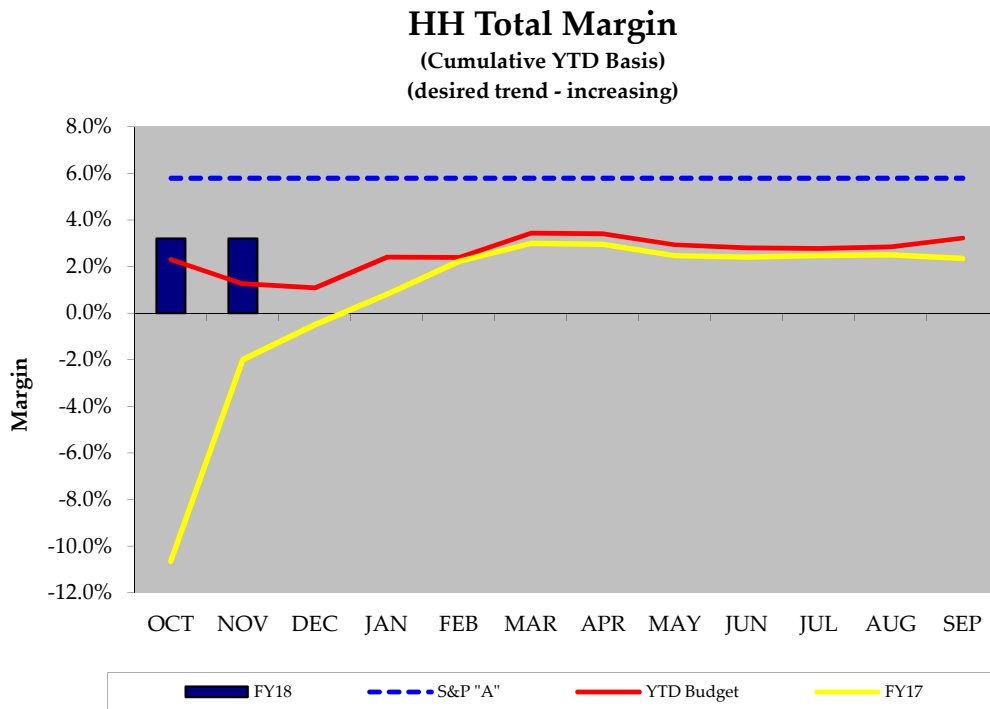
Halifax Health Foundation
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended November 30, 2017	Static Budget Month Ended November 30, 2017	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2017	Static Budget Two Months Ended November 30, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$0	\$0	\$0	Net patient service revenue, before provision for bad debts	\$0	\$0	\$0
-	-	-	Provision for bad debts	-	-	-
-	-	-	Net patient service revenue	-	-	-
36	114	(78)	Realized investment income/(losses)	71	228	(157)
444	-	444	Unrealized investment income/(losses)	770	-	770
36	108	(72)	Donation revenue	217	216	1
-	-	-	Other revenue	-	-	-
516	222	294	Total operating revenues	1,058	444	614
			Operating expenses:			
11	10	(1)	Salaries and benefits	20	21	1
1	4	3	Purchased services	2	7	5
-	-	-	Supplies	-	-	-
-	-	-	Depreciation and amortization	-	-	-
-	-	-	Interest	-	-	-
-	-	-	Leases and rentals	-	-	-
63	67	4	Other	68	134	66
75	81	6	Total operating expenses	90	162	72
\$441	\$141	\$300	Increase in net position	\$968	\$282	\$686

Halifax Health Medical Center (Obligated Group)
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended November 30, 2017	Static Budget Month Ended November 30, 2017	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2017	Static Budget Two Months Ended November 30, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$49,519	\$45,694	\$3,825	Net patient service revenue, before provision for bad debts	\$99,332	\$94,380	\$4,952
(11,380)	(7,724)	(3,656)	Provision for bad debts	(22,501)	(15,702)	(6,799)
38,139	37,970	169	Net patient service revenue	76,831	78,678	(1,847)
504	504	-	Ad valorem taxes	1,008	1,008	-
1,755	1,394	361	Other revenue	3,368	2,814	554
40,398	39,868	530	Total operating revenues	81,207	82,500	(1,293)
			Operating expenses:			
19,889	21,556	1,667	Salaries and benefits	41,390	44,141	2,751
5,571	4,992	(579)	Purchased services	11,135	10,082	(1,053)
7,946	7,484	(462)	Supplies	15,887	15,440	(447)
1,984	1,881	(103)	Depreciation and amortization	3,959	3,762	(197)
1,368	1,389	21	Interest	2,758	2,778	20
577	547	(30)	Ad valorem tax related expenses	1,169	1,124	(45)
628	633	5	Leases and rentals	1,254	1,266	12
2,147	2,120	(27)	Other	4,276	4,240	(36)
40,110	40,602	492	Total operating expenses	81,828	82,833	1,005
288	(734)	1,022	Excess (deficiency) of operating revenues over expenses	(621)	(333)	(288)
			Nonoperating revenues, expenses, and gains/(losses):			
619	180	439	Realized investment income/(losses)	739	361	378
(262)	(2)	(260)	Unrealized investment income/(losses)	(254)	(3)	(251)
-	-	-	Donation revenue	(1)	-	(1)
357	178	179	Total nonoperating revenues, expenses, and gains/(losses)	484	358	126
645	(556)	1,201	Increase (decrease) in net position before other changes in net	(137)	25	(162)
1,518	591	927	Income from affiliates	3,099	1,104	1,995
\$2,163	\$35	\$2,128	Increase in net position	\$2,962	\$1,129	\$1,833

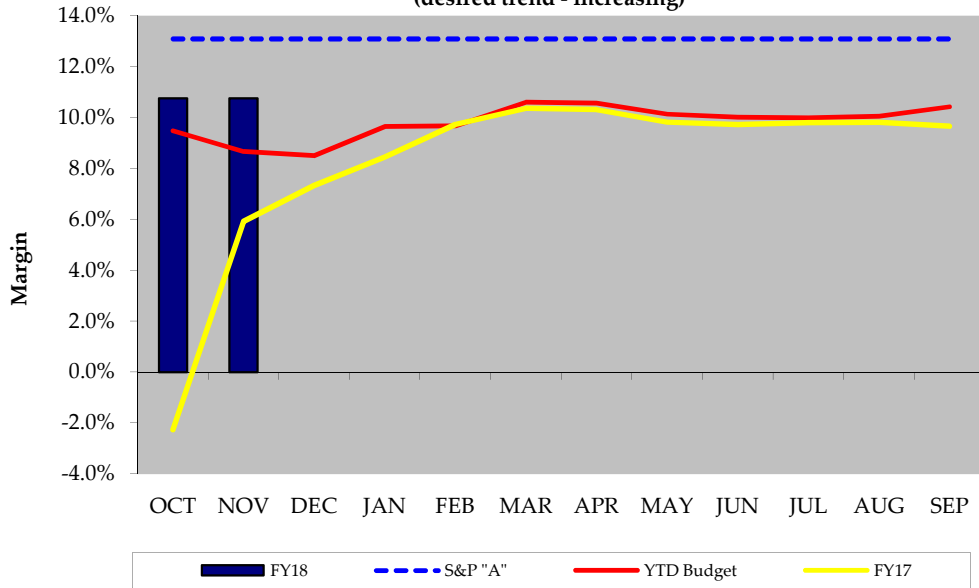
Halifax Health Financial Summary - Graphic



Halifax Health Financial Summary - Graphic

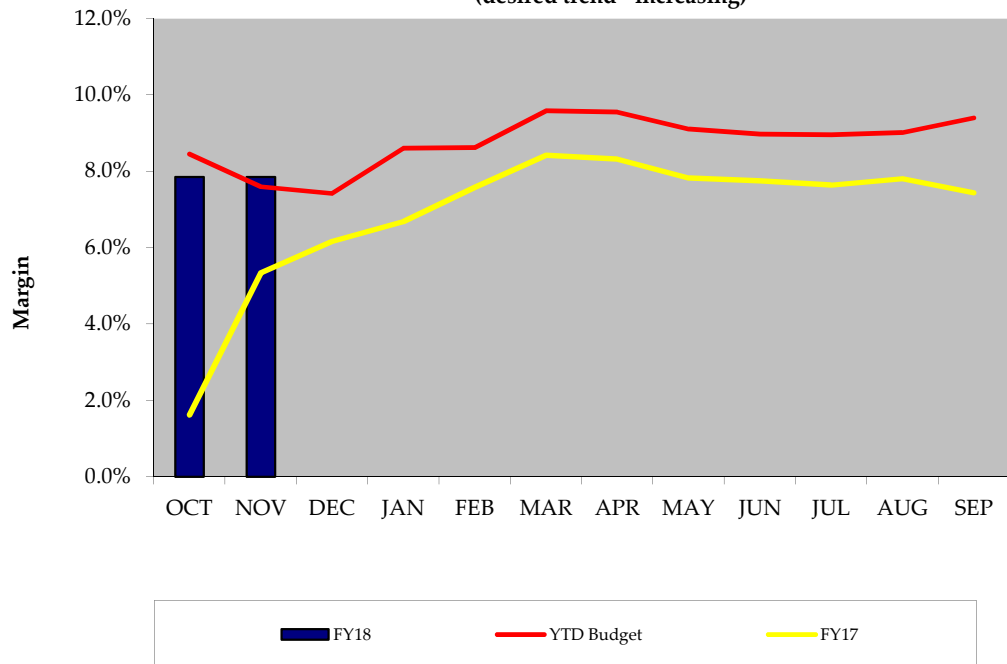
HH EBIDA Margin

(Cumulative YTD Basis)
(desired trend - increasing)

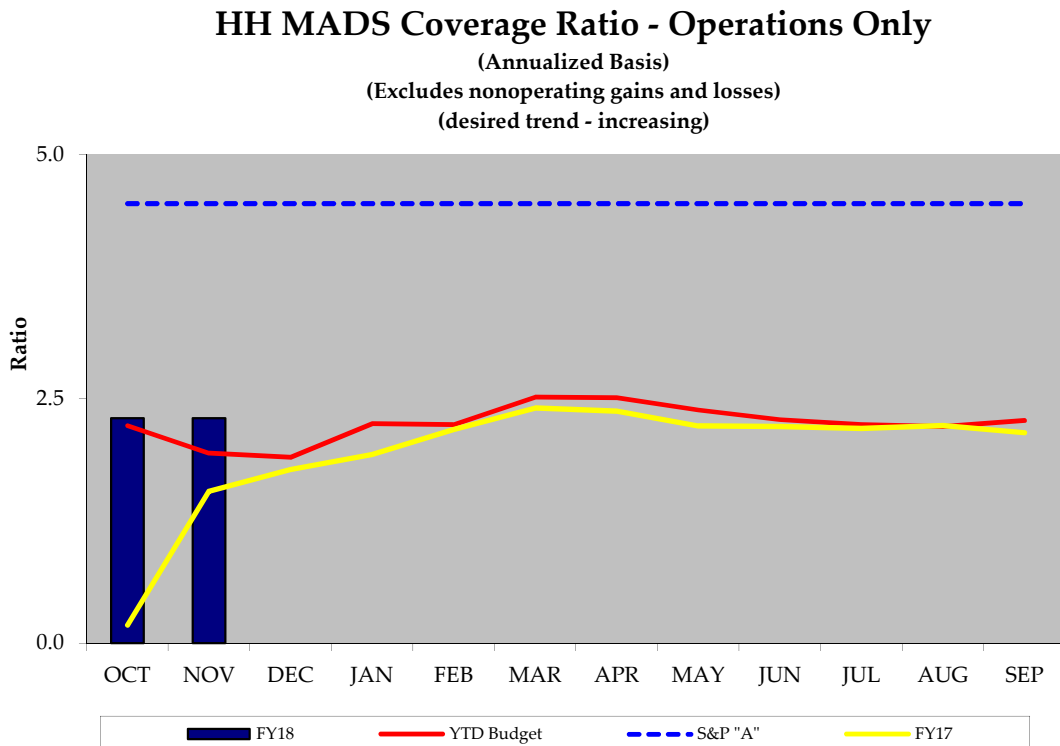
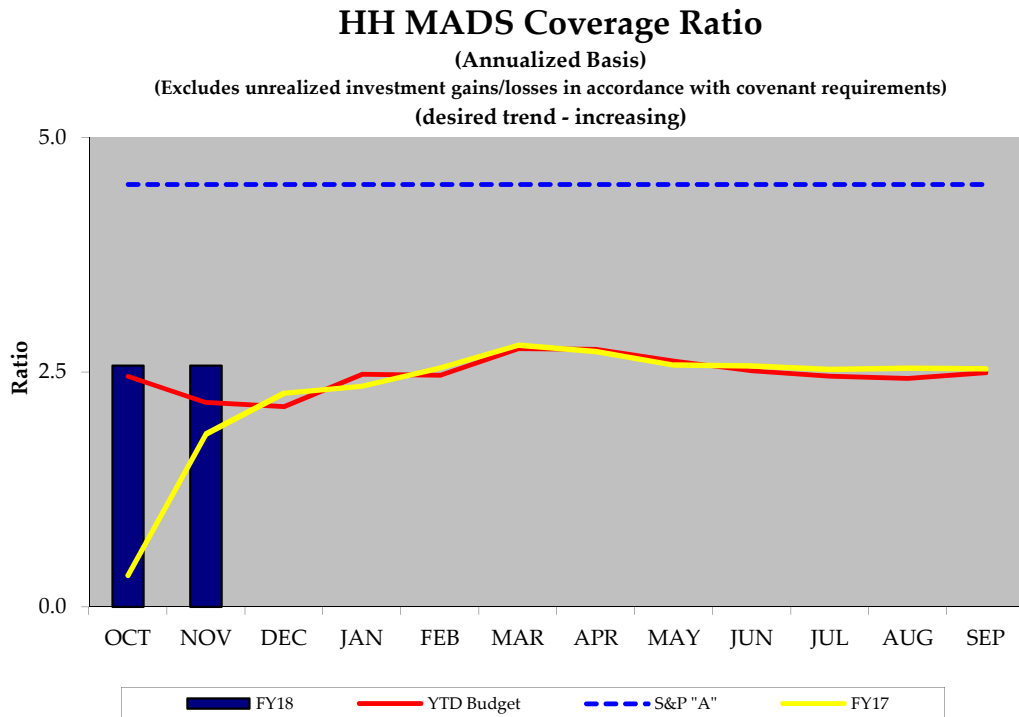


HH Adjusted Operating EBIDA Margin

(Cumulative YTD Basis)
(Excludes nonoperating gains and losses)
(desired trend - increasing)

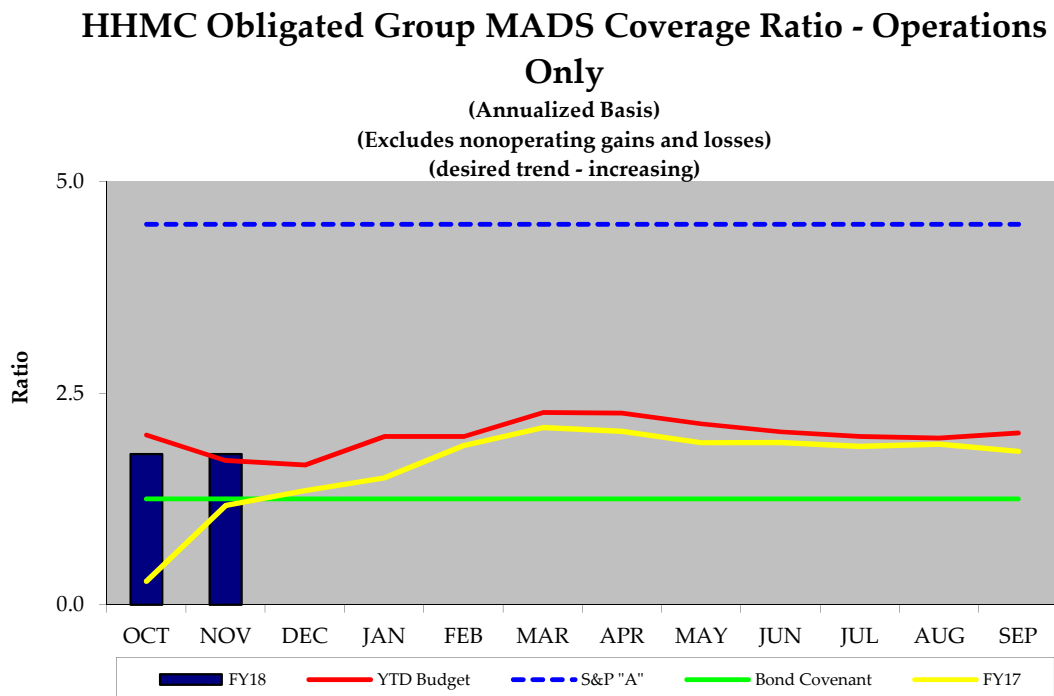
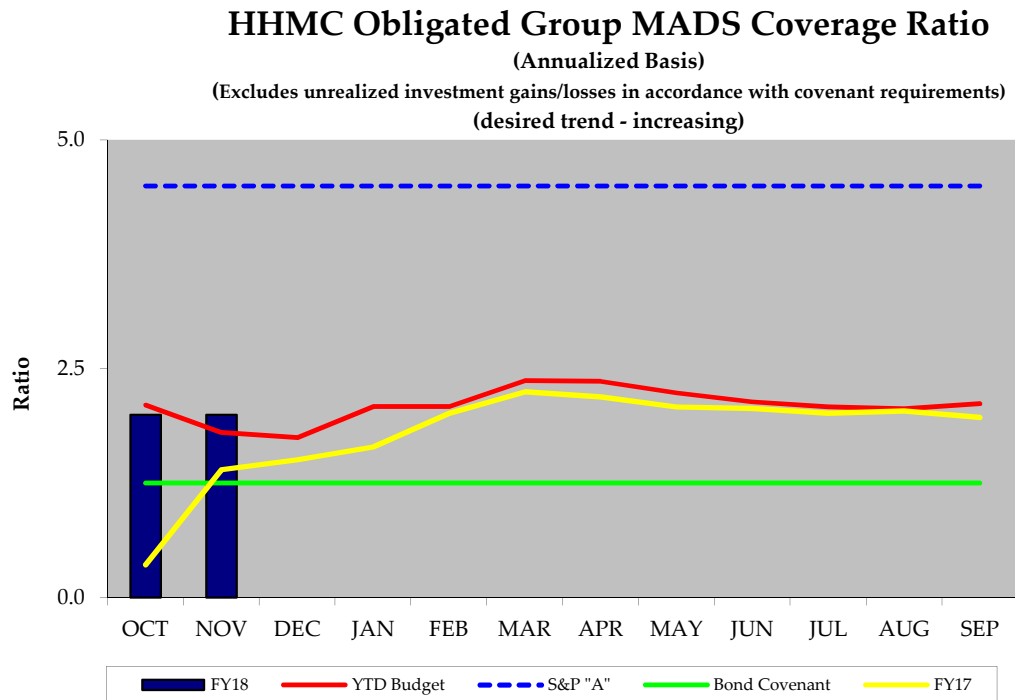


Halifax Health Financial Summary - Graphic



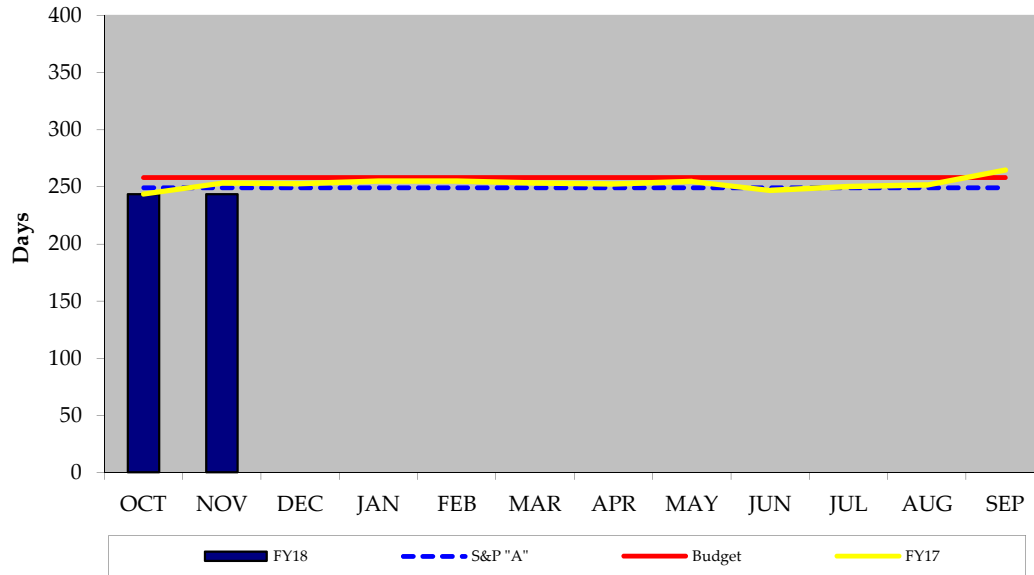
Halifax Health

Financial Summary - Graphic

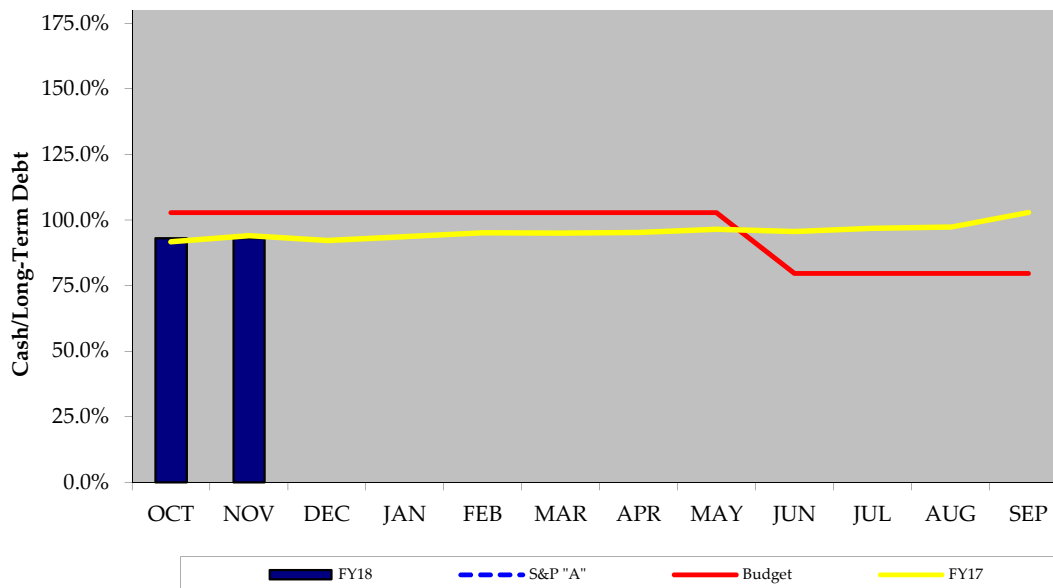


Halifax Health Financial Summary - Graphic

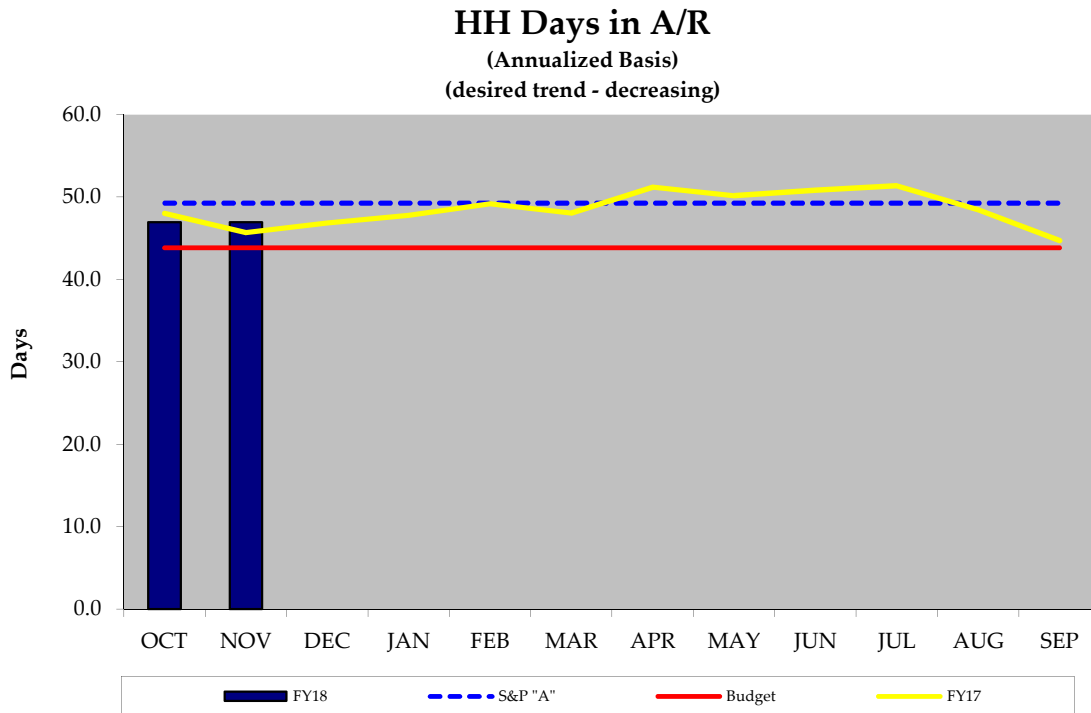
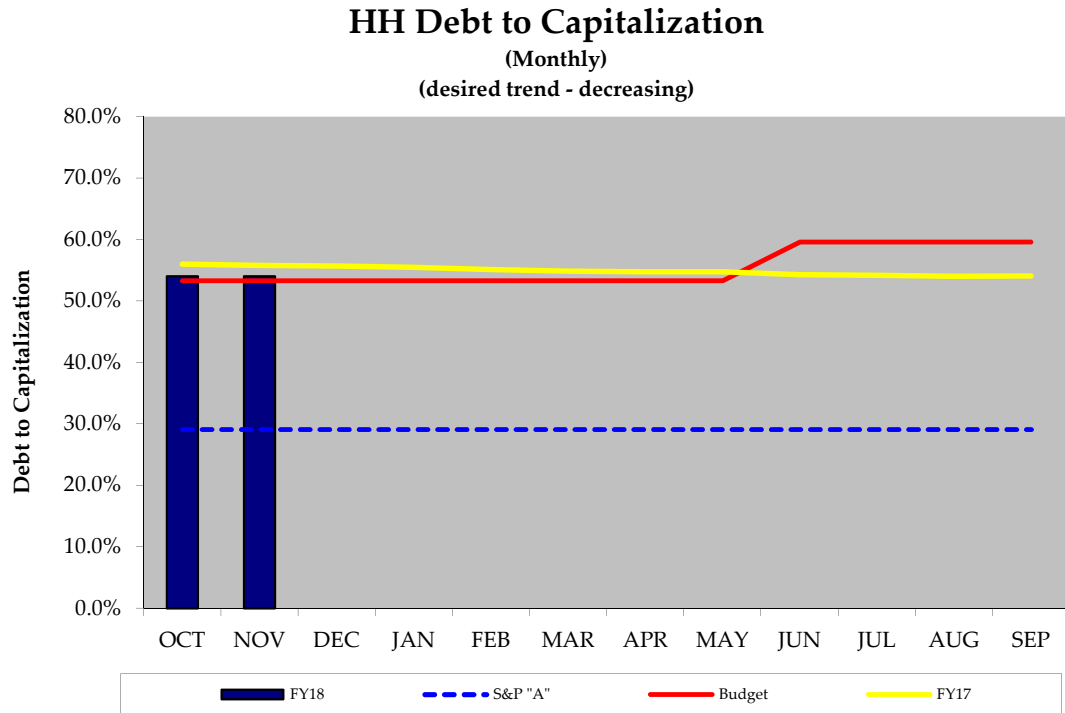
HH Days Cash on Hand (Annualized Basis) (desired trend - increasing)



HH Cash/Debt (Monthly) (desired trend - increasing)

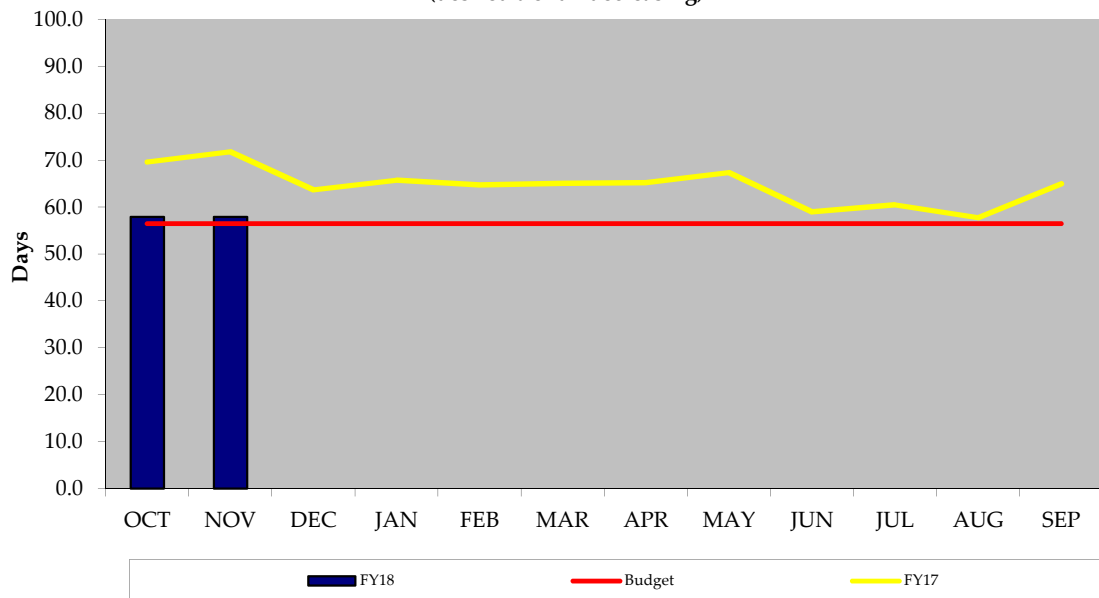


Halifax Health Financial Summary - Graphic

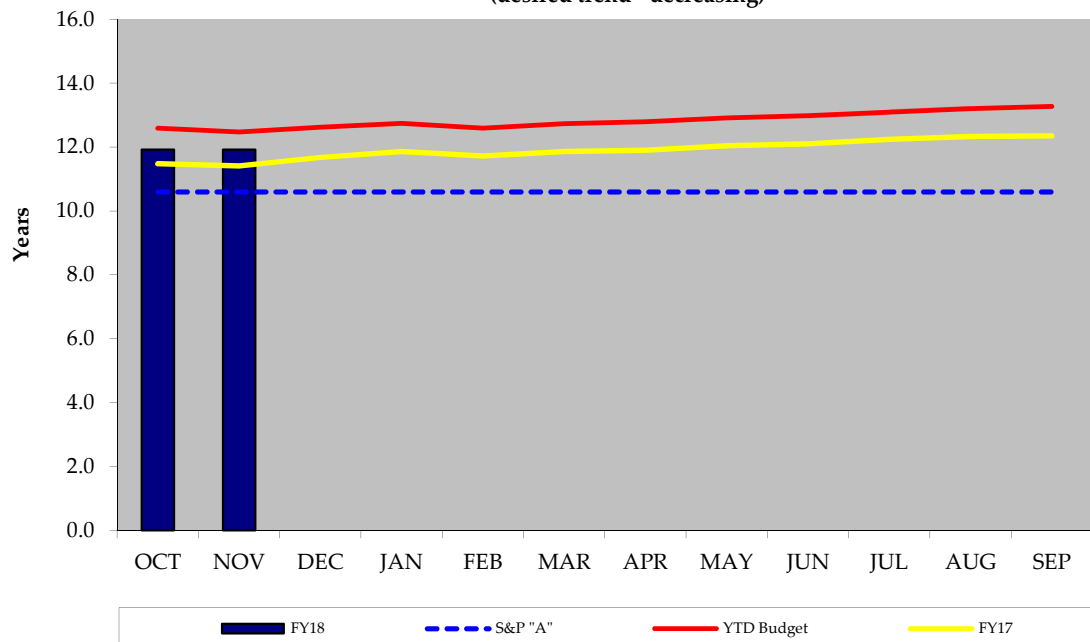


Halifax Health Financial Summary - Graphic

HH Average Payment Period (Annualized Basis) (desired trend - decreasing)



HH Average Age of Plant (Annualized Basis) (desired trend - decreasing)



Halifax Health
Financial Ratios and Operating Indicators
Definitions and Calculations

Indicator	Definition	Calculation
Total Margin *	Gauges the relative efficiency with which the System produces its output.	$\frac{\text{Net Income}}{\text{Total Revenues}}$
EBIDA Margin *	Gauges the relative efficiency excluding capital costs with which the System produces its output.	$\frac{\text{Net income} + \text{Int} + \text{Depr} + \text{Amort}}{\text{Total Revenues}}$
MADS Coverage Ratio *	Measures profitability relative to the Maximum Principal and Interest Payment of Debt	$\frac{\text{Net Income} + \text{Depr} + \text{Amort} + \text{Int}}{\text{Maximum Annual Debt Service}}$
Days Cash on Hand	Measures the number of days of average cash expenses that the System maintains in cash and cash equivalents and unrestricted investments.	$\frac{\text{Unrestricted Cash and Investments}}{(\text{Total Expenses} - \text{Depr}) / \text{Days in Period}}$
Cash to Long-term Debt	Measures the percentage of unrestricted cash and investments to long-term debt.	$\frac{\text{Unrestricted Cash and Investments}}{\text{Long-term Debt}}$
Long-term Debt to Capitalization	Measures the reliance on long-term debt financing and ability to issue new debt.	$\frac{\text{Long-term Debt}}{\text{Long-term Debt} + \text{Net Position}}$
Days in Accounts Receivable	Measures the average time that receivables are outstanding, or the average collection period.	$\frac{\text{Accounts Receivable}}{\text{Net Patient Service Revenue} / \text{Days in Period}}$
Average Payment Period	Provides a measure of the average time that elapses before current liabilities are paid.	$\frac{\text{Current Liabilities}}{(\text{Total Expenses} - \text{Depr}) / \text{Days in Period}}$
Average Age of Plant	Provides a measure of the average age in years of the System's fixed assets.	$\frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}}$
Operating Margin	Gauges the relative operating efficiency with which the System produces its output.	$\frac{\text{Excess of Operating Revenues}}{\text{Total Operating Revenues} + \text{Bad Debt}}$
* Operations Only Indicators	Excludes realized and unrealized investment income, donations, and nonoperating gains and losses	

Halifax Health
Summary Financial Narrative
For the one month ended October 31, 2017

The performance of Halifax Health (HH) compared to budget and long-range targets (S&P "A" rated medians) for key financial indicators is as follows.

Financial Indicator	YTD Actual FY 18	YTD Budget FY 18	YTD Actual vs. Budget	S&P "A"	YTD Actual FY 18 vs. S&P "A"
Total Margin	1.7%	2.3%	Unfavorable	5.8%	Unfavorable
Operating Margin	-0.1%	1.4%	Unfavorable	3.6%	Unfavorable
EBIDA Margin	9.3%	9.5%	Unfavorable	13.1%	Unfavorable
Operating EBIDA Margin	7.6%	8.7%	Unfavorable	10.8%	Unfavorable
Adjusted Operating EBIDA Margin *	6.8%	8.5%	Unfavorable	N/A	N/A
Days Cash on Hand	245	258	Unfavorable	249	Unfavorable
Cash to Debt	93.6%	102.8%	Unfavorable	189.9%	Unfavorable
Debt to Capitalization	57.1%	53.3%	Unfavorable	29.1%	Unfavorable
OG MADS Coverage	1.50	1.70	Unfavorable	4.50	Unfavorable
OG Debt to Capitalization	56.2%	52.9%	Unfavorable	29.1%	Unfavorable

* -Excludes investment income/loss of Foundation recorded as operating income.

Halifax Health Medical Center

Statistical Summary--

- Admissions for the month are greater than budget and last year.
- Patient days for the month are greater than budget and less than last year.
- Observation patient days for the month are greater than budget and last year.
- Surgery volumes for the month are greater than budget and last year.
- Emergency Room visits for the month are greater than budget and last year.

Financial Summary --

- Net patient service revenue for the month is 5.0% less than budget.
- Total operating expenses for the month are 1.2% less than budget.
- Loss from operations for the month of \$908,000 compares unfavorably to budget by \$1.3 million.
- Nonoperating gains/losses for the month of \$126,000, primarily consisting of net investment income, compares unfavorably to the budgeted amount by \$52,000.
- The decrease in net position for the month of \$782,000 compares unfavorably to budget by \$1.4 million.

Halifax Health Hospice

Statistical Summary --

- Patient days for the month and are greater than budget and last year.

Financial Summary --

- Net patient service revenue for the month is 1.7% greater than budget.
- Income from operations for the month of \$154,000 compares favorably to budget by \$196,000.
- Nonoperating gains/losses for the month of \$729,000, primarily consisting of net investment income, compares favorably to the budgeted amount by \$486,000.
- The increase in net position for the month of \$883,000 compares favorably to budget by \$682,000.

Other Component Units - The financial performance is consistent with budgeted expectations.

Halifax Health Statistical Summary

Month Ended October 31,					One Month Ended October 31,			
<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>		<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>
<u>Inpatient Activity</u>								
1,577	1,591	1,587	0.3%	HHMC Adult/Ped Admissions	1,577	1,591	1,587	0.3%
153	169	154	9.7%	HHMCPO Adult/Ped Admissions	153	169	154	9.7%
150	190	158	20.3%	Adult Psych Admissions	150	190	158	20.3%
59	64	58	10.3%	Rehabilitative Admissions	59	64	58	10.3%
1,939	2,014	1,957	2.9%	Total Adult/Ped Admissions	1,939	2,014	1,957	2.9%
8,837	8,114	7,645	6.1%	HHMC Adult/Ped Patient Days	8,837	8,114	7,645	6.1%
769	806	658	22.5%	HHMCPO Adult/Ped Patient Days	769	806	658	22.5%
1,545	1,506	1,565	-3.8%	Adult Psych Patient Days	1,545	1,506	1,565	-3.8%
870	881	862	2.2%	Rehabilitative Patient Days	870	881	862	2.2%
12,021	11,307	10,730	5.4%	Total Adult/Ped Patient Days	12,021	11,307	10,730	5.4%
5.6	5.1	4.8	5.9%	HHMC Average Length of Stay	5.6	5.1	4.8	5.9%
5.0	4.8	4.3	11.6%	HHMCPO Average Length of Stay	5.0	4.8	4.3	11.6%
5.6	5.1	4.8	6.3%	HHMC/ HHMCPO Average Length of Stay	5.6	5.1	4.8	6.3%
10.3	7.9	9.9	-20.0%	Adult Psych Average Length of Stay	10.3	7.9	9.9	-20.0%
14.7	13.8	14.9	-7.4%	Rehabilitative Length of Stay	14.7	13.8	14.9	-7.4%
6.2	5.6	5.5	2.4%	Total Average Length of Stay	6.2	5.6	5.5	2.4%
388	365	346	5.4%	Total Average Daily Census	388	365	346	5.4%
777	790	765	3.3%	HHMC Observation Patient Day Equivalents	777	790	765	3.3%
190	188	170	10.6%	HHMCPO Observation Patient Day Equivalents	190	188	170	10.6%
967	978	935	4.6%	Total Observation Patient Day Equivalents	967	978	935	4.6%
31	32	30	6.7%	Observation Average Daily Census	31	32	30	6.7%
121	130	129	0.8%	HHMC Newborn Births	121	130	129	0.8%
234	231	254	-9.1%	HHMC Nursery Patient Days	234	231	254	-9.1%
451	459	483	-5.0%	HHMC Inpatient Surgeries	451	459	483	-5.0%
3	11	3	266.7%	HHMCPO Inpatient Surgeries	3	11	3	266.7%
454	470	486	-3.3%	Total Inpatient Surgeries	454	470	486	-3.3%
<u>Inpatient Surgeries</u>								
191	159			Orthopedics	191	159		
67	70			General Surgery	67	70		
41	26			Neurosurgery	41	26		
29	30			Thoracic Surgery	29	30		
17	34			Vascular	17	34		
109	151			All Other	109	151		
454	470	486	-3.3%	Total Inpatient Surgeries	454	470	486	-3.3%

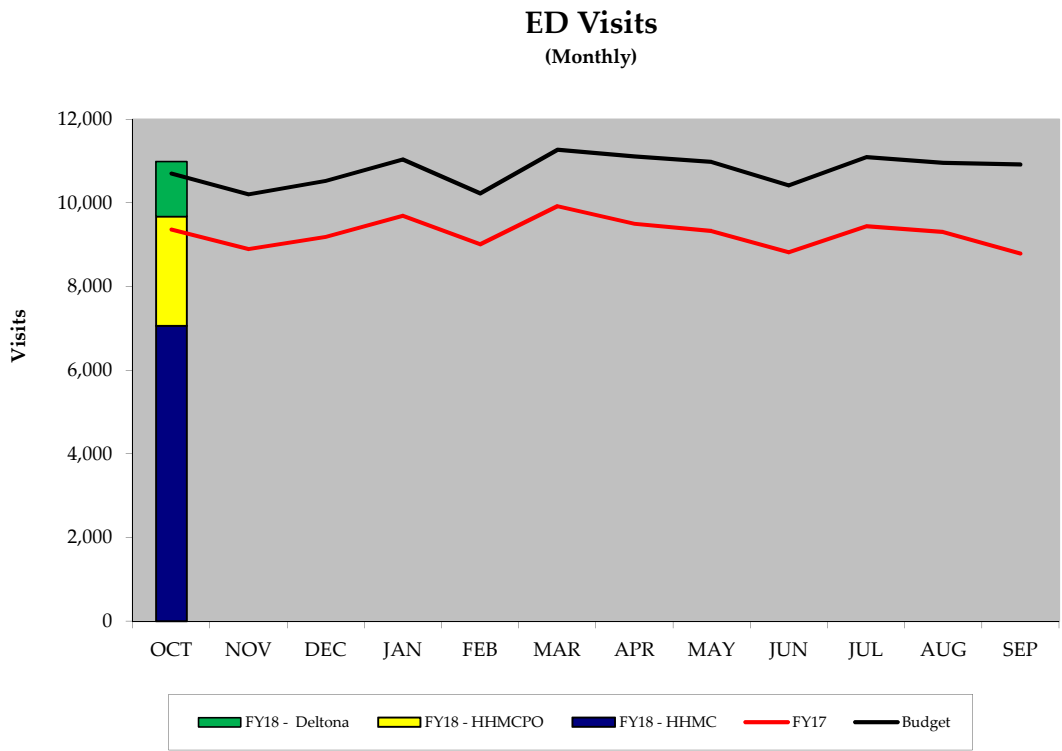
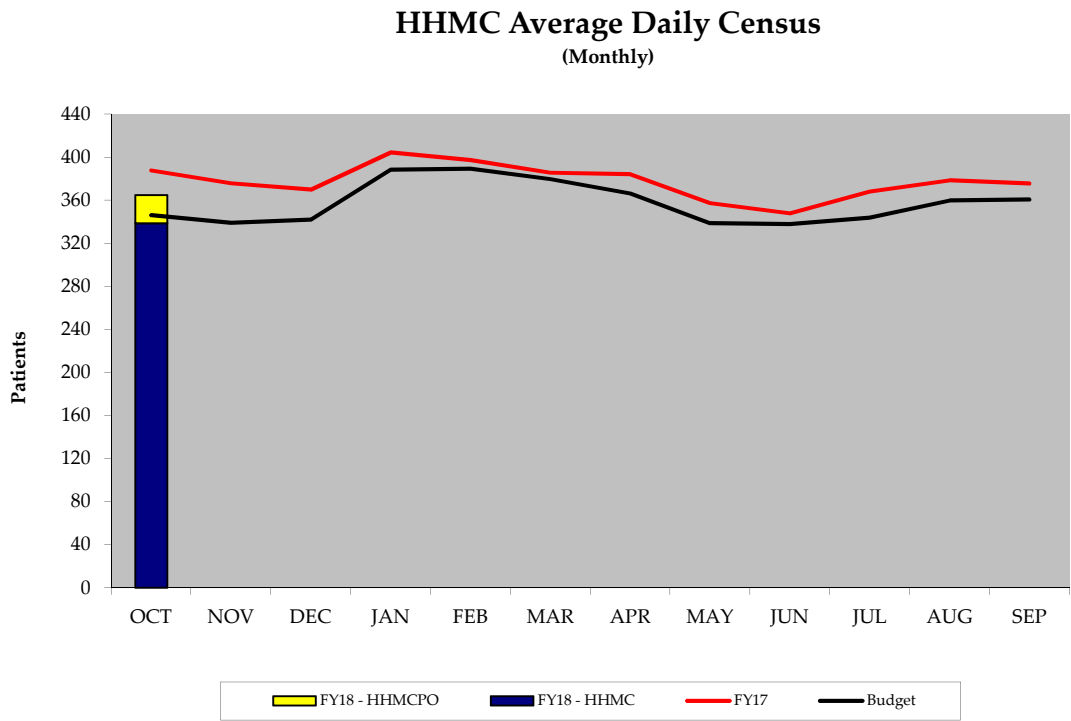
Halifax Health Statistical Summary

Month Ended October 31,					One Month Ended October 31,			
<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>		<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>
				<u>Outpatient Activity</u>				
6,821	7,060	6,884	2.6%	HHMC ED Registrations	6,821	7,060	6,884	2.6%
2,542	2,618	2,550	2.7%	HHMCPO ED Registrations	2,542	2,618	2,550	2.7%
0	1,313	1,271	3.3%	Deltona ED Registrations	0	1,313	1,271	3.3%
9,363	10,991	10,705	2.7%	Total ED	9,363	10,991	10,705	2.7%
379	392	392	0.0%	HHMC Outpatient Surgeries	379	392	392	0.0%
68	0	0	0.0%	HPC Outpatient Surgeries	68	0	0	0.0%
0	348	110	216.4%	HHMCPO Outpatient Surgeries	0	348	110	216.4%
348	121	318	-61.9%	Twin Lakes Surgeries	348	121	318	-61.9%
795	861	820	5.0%	Total Outpatient Surgeries	795	861	820	5.0%
				<u>Outpatient Surgeries</u>				
182	170			General Surgery	182	170		
143	152			Orthopedics	143	152		
94	127			Gastroenterology	94	127		
70	71			Obstetrics Gynecology	70	71		
52	75			Ophthalmology	52	75		
254	266			All Other	254	266		
795	861	820	5.0%	Total Outpatient Surgeries	795	861	820	5.0%
				<u>Cardiology Procedures</u>				
15	24			Open Heart Cases	15	24		
139	202			Cardiac Caths	139	202		
29	24			CRM Devices	29	24		
39	48			EP Studies	39	48		
222	298	254	17.3%	Total Cardiology Procedures	222	298	254	17.3%
				<u>Interventional Radiology Procedures</u>				
7	8	8	0.0%	Vascular	7	8	8	0.0%
143	148	147	0.7%	Nonvascular	143	148	147	0.7%
150	156	155	0.6%	Total Interventional Radiology Procedures	150	156	155	0.6%
187	187	213	-12.2%	GI Lab Procedures	187	187	213	-12.2%
				<u>HH Hospice Activity</u>				
				<u>Patient Days</u>				
14,970	16,443	15,501	6.1%	Volusia/ Flagler	14,970	16,443	15,501	6.1%
789.0	1,489	1,240	20.1%	Orange/ Osceola	789.0	1,489	1,240	20.1%
15,759	17,932	16,741	7.1%	HH Hospice Patient Days	15,759	17,932	16,741	7.1%
				<u>Average Daily Census</u>				
483	530	500	6.1%	Volusia/ Flagler	483	530	500	6.1%
25	48	40	20.1%	Orange/ Osceola	25	48	40	20.1%
508	578	540	7.1%	HH Hospice Average Daily Census	508	578	540	7.1%

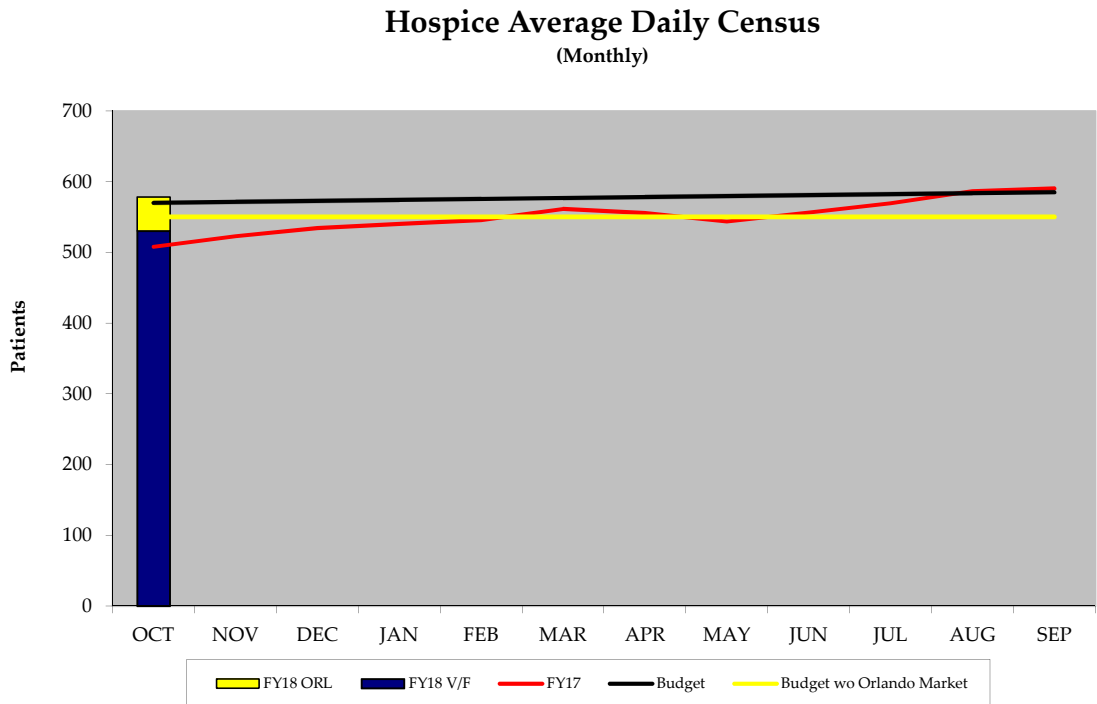
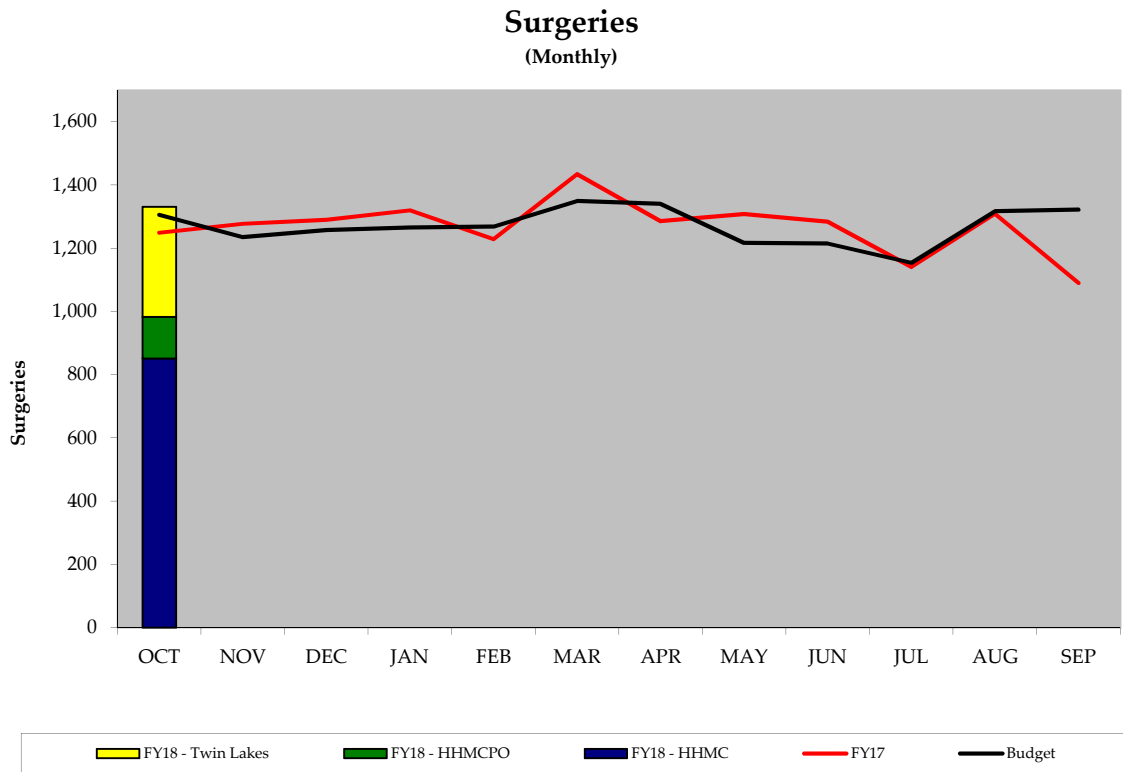
Halifax Health Statistical Summary

Month Ended October 31,				One Month Ended October 31,			
<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>	<u>2016</u>	<u>2017</u>	<u>Budget</u>	<u>Var.</u>
<u>Physician Practice Activity</u>							
<u>Primary Care Visits</u>				<u>Primary Care Visits</u>			
256	361	321	12.5%	256	361	321	12.5%
1,053	1,172	1,086	7.9%	1,053	1,172	1,086	7.9%
659	717	610	17.5%	659	717	610	17.5%
316	324	652	-50.3%	316	324	652	-50.3%
-	535	800	-33.1%	-	535	800	-33.1%
421	643	476	35.1%	421	643	476	35.1%
-	284	876	-67.6%	-	284	876	-67.6%
2,705	4,036	4,821	-16.3%	2,705	4,036	4,821	-16.3%
<u>Children's Medical Center Visits</u>				<u>Children's Medical Center Visits</u>			
814	646	1,041	-37.9%	814	646	1,041	-37.9%
293	261	374	-30.2%	293	261	374	-30.2%
447	517	625	-17.3%	447	517	625	-17.3%
1,554	1,424	2,040	-30.2%	1,554	1,424	2,040	-30.2%
<u>Community Clinic Visits</u>				<u>Community Clinic Visits</u>			
343	370	352	5.1%	343	370	352	5.1%
207	92	75	22.7%	207	92	75	22.7%
550	462	427	8.2%	550	462	427	8.2%

Halifax Health
Statistical Summary - Graphic



Halifax Health Statistical Summary - Graphic



Halifax Health
Condensed Statement of Net Position
(\$ in thousands)

	October 31,		
	2017	2016	Change
<u>Assets</u>			
Cash and cash equivalents	\$27,709	\$33,178	(\$5,469)
Investments	269,702	265,077	4,625
Board designated assets	45,126	44,972	154
Accounts receivable	62,910	62,676	234
Restricted assets whose use is limited	6,428	19,161	(12,733)
Other assets	53,562	52,873	689
Deferred outflow - swap	30,025	35,243	(5,218)
Deferred outflow - loss on bond refunding	16,378	17,302	(924)
Deferred outflow - pension	25,995	58,096	(32,101)
Property, plant and equipment	354,455	355,212	(757)
Total Assets	<u>\$892,290</u>	<u>\$943,790</u>	<u>(\$51,500)</u>
<u>Liabilities and Net position</u>			
Accounts payable	\$31,332	\$29,588	\$1,744
Other liabilities	104,183	96,481	7,702
Net pension liability	86,088	130,126	(44,038)
Long-term debt	346,667	354,199	(7,532)
Premium on LTD, net	19,206	19,876	(670)
Long-term value of swap	30,025	35,243	(5,218)
Net position	274,789	278,277	(3,488)
Total Liabilities and Net position	<u>\$892,290</u>	<u>\$943,790</u>	<u>(\$51,500)</u>

Halifax Health
Statement of Cash Flows
(\$ in thousands)

Month ended October 31, 2017	Month ended October 31, 2016	Variance		One Month ended October 31, 2017	One Month ended October 31, 2016	Variance
			Cash flows from operating activities:			
\$41,885	\$38,440	\$3,445	Receipts from third party payors and patients	\$41,885	\$38,440	\$3,445
(41,917)	(43,296)	1,379	Payments to employees	(41,917)	(43,296)	1,379
(30,049)	(17,050)	(12,999)	Payments to suppliers	(30,049)	(17,050)	(12,999)
18	46	(28)	Receipt of ad valorem taxes	18	46	(28)
650	2,674	(2,024)	Other receipts	650	2,674	(2,024)
(3,686)	(3,570)	(116)	Other payments	(3,686)	(3,570)	(116)
(33,099)	(22,756)	(10,343)	Net cash used in operating activities	(33,099)	(22,756)	(10,343)
			Cash flows from noncapital financing activities:			
60	84	(24)	Proceeds from donations received	60	84	(24)
60	84	(24)	Net cash provided by noncapital financing activities	60	84	(24)
			Cash flows from capital and related financing activities:			
(2,062)	(2,088)	26	Acquisition of capital assets	(2,062)	(2,088)	26
(200)	(195)	(5)	Payment of long-term debt	(200)	(195)	(5)
(350)	(380)	30	Payment of interest on long-term debt	(350)	(380)	30
(2,612)	(2,663)	51	Net cash used in capital financing activities	(2,612)	(2,663)	51
			Cash flows from investing activities:			
175	172	3	Realized investment income (loss)	175	172	3
(243)	(247)	4	Purchases of investments/limited use assets	(243)	(247)	4
5	15	(10)	Sales/Maturities of investments/limited use assets	5	15	(10)
(63)	(60)	(3)	Net cash used in investing activities	(63)	(60)	(3)
(35,714)	(25,395)	(10,319)	Net decrease in cash and cash equivalents	(35,714)	(25,395)	(10,319)
63,423	58,573	4,850	Cash and cash equivalents at beginning of period	63,423	58,573	4,850
\$27,709	\$33,178	(\$5,469)	Cash and cash equivalents at end of period	\$27,709	\$33,178	(\$5,469)

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2017	Actual Month Ended October 31, 2016	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2017	Actual One Month Ended October 31, 2016	Favorable (Unfavorable) Variance
			Operating revenues:			
\$53,475	\$49,674	\$3,801	Net patient service revenue, before provision for bad debts	\$53,475	\$49,674	\$3,801
(11,208)	(9,228)	(1,980)	Provision for bad debts	(11,208)	(9,228)	(1,980)
42,267	40,446	1,821	Net patient service revenue	42,267	40,446	1,821
504	938	(434)	Ad valorem taxes	504	938	(434)
2,702	1,202	1,500	Other revenue	2,702	1,202	1,500
45,473	42,586	2,887	Total operating revenues	45,473	42,586	2,887
			Operating expenses:			
23,549	24,615	1,066	Salaries and benefits	23,549	24,619	1,070
6,664	5,995	(669)	Purchased services	6,664	5,995	(669)
8,123	8,043	(80)	Supplies	8,123	8,043	(80)
2,105	2,026	(79)	Depreciation and amortization	2,105	2,026	(79)
1,396	1,438	42	Interest	1,396	1,438	42
591	614	23	Ad valorem tax related expenses	591	614	23
808	722	(86)	Leases and rentals	808	722	(86)
2,293	2,274	(19)	Other	2,293	2,274	(19)
45,529	45,727	198	Total operating expenses	45,529	45,731	202
(56)	(3,141)	3,085	Deficiency of operating revenues over expenses	(56)	(3,145)	3,089
			Nonoperating revenues, expenses, and gains/(losses):			
175	172	3	Realized investment income/(losses)	175	172	3
620	(1,513)	2,133	Unrealized investment income/(losses)	620	(1,513)	2,133
60	85	(25)	Donation revenue	60	85	(25)
855	(1,256)	2,111	Total nonoperating revenues, expenses, and gains/(losses)	855	(1,256)	2,111
\$799	(\$4,397)	\$5,196	Increase (decrease) in net position	\$799	(\$4,401)	\$5,200

Halifax Health
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2017	Static Budget Month Ended October 31, 2017	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2017	Static Budget One Month Ended October 31, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$53,475	\$52,292	\$1,183	Net patient service revenue, before provision for bad debts	\$53,475	\$52,292	\$1,183
(11,208)	(8,066)	(3,142)	Provision for bad debts	(11,208)	(8,066)	(3,142)
42,267	44,226	(1,959)	Net patient service revenue	42,267	44,226	(1,959)
504	504	-	Ad valorem taxes	504	504	-
2,702	2,193	509	Other revenue	2,702	2,193	509
45,473	46,923	(1,450)	Total operating revenues	45,473	46,923	(1,450)
			Operating expenses:			
23,549	24,752	1,203	Salaries and benefits	23,549	24,752	1,203
6,664	6,183	(481)	Purchased services	6,664	6,183	(481)
8,123	8,181	58	Supplies	8,123	8,181	58
2,105	2,007	(98)	Depreciation and amortization	2,105	2,007	(98)
1,396	1,395	(1)	Interest	1,396	1,395	(1)
591	577	(14)	Ad valorem tax related expenses	591	577	(14)
808	805	(3)	Leases and rentals	808	805	(3)
2,293	2,352	59	Other	2,293	2,352	59
45,529	46,252	723	Total operating expenses	45,529	46,252	723
(56)	671	(727)	Excess (deficiency) of operating revenues over expenses	(56)	671	(727)
			Nonoperating revenues, expenses, and gains/(losses):			
175	365	(190)	Realized investment income/(losses)	175	365	(190)
620	(2)	622	Unrealized investment income/(losses)	620	(2)	622
60	58	2	Donation revenue	60	58	2
855	421	434	Total nonoperating revenues, expenses, and gains/(losses)	855	421	434
\$799	\$1,092	(\$293)	Increase in net position	\$799	\$1,092	(\$293)

Halifax Health Medical Center
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2017	Static Budget Month Ended October 31, 2017	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2017	Static Budget One Month Ended October 31, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$49,812	\$48,686	\$1,126	Net patient service revenue, before provision for bad debts	\$49,812	\$48,686	\$1,126
(11,122)	(7,978)	(3,144)	Provision for bad debts	(11,122)	(7,978)	(3,144)
38,690	40,708	(2,018)	Net patient service revenue	38,690	40,708	(2,018)
504	504	-	Ad valorem taxes	504	504	-
1,614	1,420	194	Other revenue	1,614	1,420	194
40,808	42,632	(1,824)	Total operating revenues	40,808	42,632	(1,824)
			Operating expenses:			
21,502	22,585	1,083	Salaries and benefits	21,502	22,585	1,083
5,563	5,089	(474)	Purchased services	5,563	5,089	(474)
7,941	7,956	15	Supplies	7,941	7,956	15
1,974	1,881	(93)	Depreciation and amortization	1,974	1,881	(93)
1,390	1,389	(1)	Interest	1,390	1,389	(1)
591	577	(14)	Ad valorem tax related expenses	591	577	(14)
626	633	7	Leases and rentals	626	633	7
2,129	2,120	(9)	Other	2,129	2,120	(9)
41,716	42,230	514	Total operating expenses	41,716	42,230	514
(908)	402	(1,310)	Excess (deficiency) of operating revenues over expenses	(908)	402	(1,310)
			Nonoperating revenues, expenses, and gains/(losses):			
119	180	(61)	Realized investment income/(losses)	119	180	(61)
8	(2)	10	Unrealized investment income/(losses)	8	(2)	10
(1)	-	(1)	Donation revenue	(1)	-	(1)
126	178	(52)	Total nonoperating revenues, expenses, and gains/(losses)	126	178	(52)
(\$782)	\$580	(\$1,362)	Increase (decrease) in net position	(\$782)	\$580	(\$1,362)

Halifax Health Medical Center
Net Patient Service Revenue
(\$ in thousands)

Actual Month Ended October 31, 2016		Actual Month Ended October 31, 2017		Static Budget Month Ended October 31, 2017			Actual One Month Ended October 31, 2016		Actual One Month Ended October 31, 2017		Static Budget One Month Ended October 31, 2017	
\$144,846	100.00%	\$165,515	100.00%	\$162,404	100.00%	Gross charges	\$144,846	100.00%	\$165,515	100.00%	\$162,404	100.00%
(8,662)	-5.98%	(9,711)	-5.87%	(8,535)	-5.26%	Charity	(8,662)	-5.98%	(9,711)	-5.87%	(8,535)	-5.26%
(89,700)	-61.93%	(105,992)	-64.04%	(105,183)	-64.77%	Contractual adjustments	(89,700)	-61.93%	(105,992)	-64.04%	(105,183)	-64.77%
46,484	32.09%	49,812	30.10%	48,686	29.98%	Gross charges, before provision for bad debts	46,484	32.09%	49,812	30.10%	48,686	29.98%
(9,123)	-6.30%	(11,122)	-6.72%	(7,978)	-4.91%	Provision for bad debts	(9,123)	-6.30%	(11,122)	-6.72%	(7,978)	-4.91%
\$37,361	25.79%	\$38,690	23.38%	\$40,708	25.07%	Net patient service revenue	\$37,361	25.79%	\$38,690	23.38%	\$40,708	25.07%

Halifax Health Hospice
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2017	Static Budget Month Ended October 31, 2017	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2017	Static Budget One Month Ended October 31, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$3,663	\$3,606	\$57	Net patient service revenue, before provision for bad debts	\$3,663	\$3,606	\$57
(86)	(88)	2	Provision for bad debts	(86)	(88)	2
3,577	3,518	59	Net patient service revenue	3,577	3,518	59
195	199	(4)	Other revenue	195	199	(4)
3,772	3,717	55	Total operating revenues	3,772	3,717	55
			Operating expenses:			
1,976	2,097	121	Salaries and benefits	1,976	2,097	121
1,061	1,051	(10)	Purchased services	1,061	1,051	(10)
182	224	42	Supplies	182	224	42
64	59	(5)	Depreciation and amortization	64	59	(5)
177	167	(10)	Leases and rentals	177	167	(10)
158	161	3	Other	158	161	3
3,618	3,759	141	Total operating expenses	3,618	3,759	141
154	(42)	196	Excess (deficiency) of operating revenues over expenses	154	(42)	196
			Nonoperating revenues, expenses, and gains/(losses):			
56	185	(129)	Realized investment income/(losses)	56	185	(129)
612	-	612	Unrealized investment income/(losses)	612	-	612
61	58	3	Donation revenue	61	58	3
729	243	486	Total nonoperating revenues, expenses, and gains/(losses)	729	243	486
\$883	\$201	\$682	Increase in net position	\$883	\$201	\$682

Volusia Health Network / Halifax Management Systems
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2017	Static Budget Month Ended October 31, 2017	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2017	Static Budget One Month Ended October 31, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$0	\$0	\$0	Net patient service revenue, before provision for bad debts	\$0	\$0	\$0
-	-	-	Provision for bad debts	-	-	-
-	-	-	Net patient service revenue	-	-	-
351	352	(1)	Other revenue	351	352	(1)
351	352	(1)	Total operating revenues	351	352	(1)
			Operating expenses:			
61	60	(1)	Salaries and benefits	61	60	(1)
39	39	-	Purchased services	39	39	-
-	1	1	Supplies	-	1	1
67	67	-	Depreciation and amortization	67	67	-
6	6	-	Interest	6	6	-
5	5	-	Leases and rentals	5	5	-
1	4	3	Other	1	4	3
179	182	3	Total operating expenses	179	182	3
172	170	2	Excess of operating revenues over expenses	172	170	2
			Nonoperating revenues, expenses, and gains/(losses):			
-	-	-	Realized investment income/(losses)	-	-	-
-	-	-	Unrealized investment income/(losses)	-	-	-
-	-	-	Donation revenue	-	-	-
-	-	-	Nonoperating gains/(losses), net	-	-	-
-	-	-	Total nonoperating revenues, expenses, and gains/(losses)	-	-	-
\$172	\$170	\$2	Increase in net position	\$172	\$170	\$2

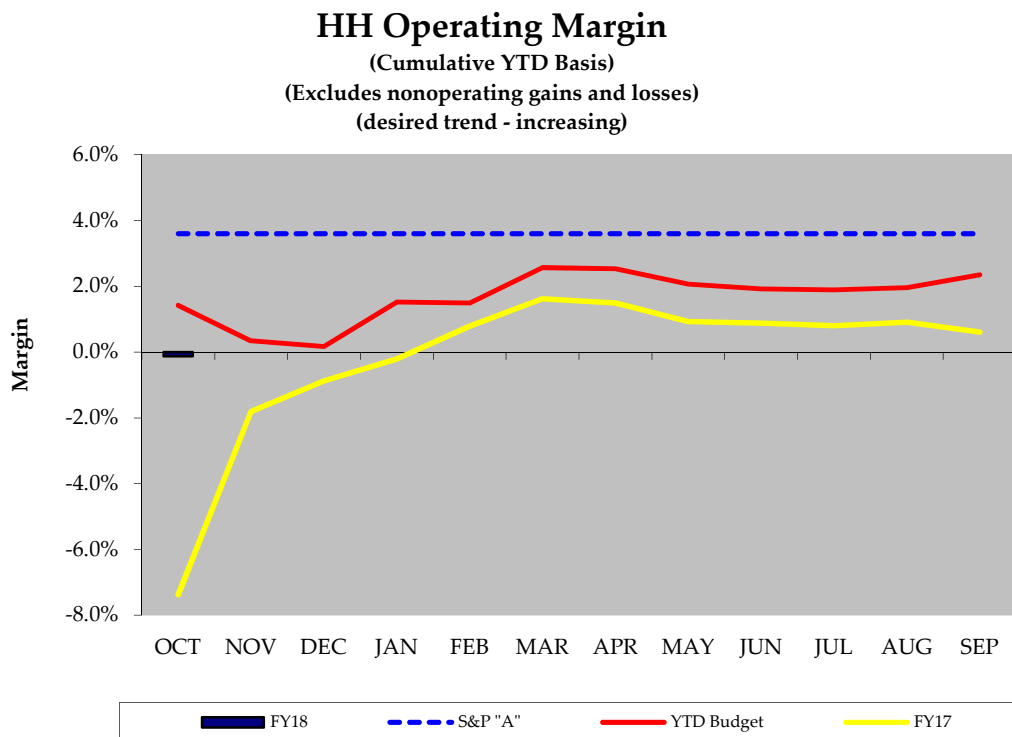
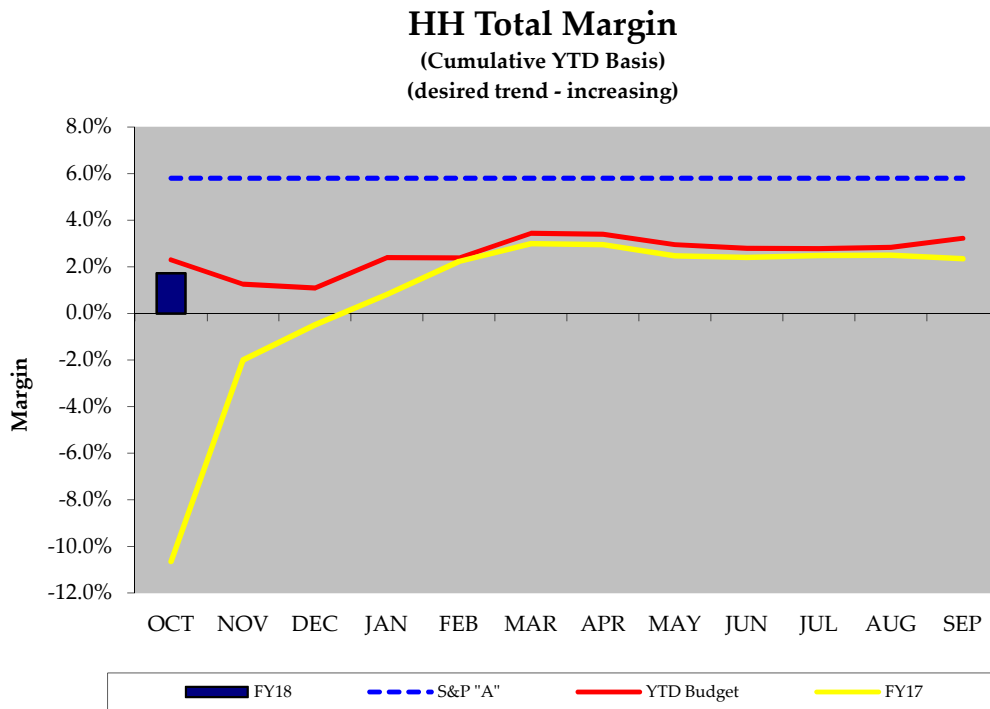
Halifax Health Foundation
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2017	Static Budget Month Ended October 31, 2017	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2017	Static Budget One Month Ended October 31, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$0	\$0	\$0	Net patient service revenue, before provision for bad debts	\$0	\$0	\$0
-	-	-	Provision for bad debts	-	-	-
-	-	-	Net patient service revenue	-	-	-
36	114	(78)	Realized investment income/(losses)	36	114	(78)
325	-	325	Unrealized investment income/(losses)	325	-	325
181	108	73	Donation revenue	181	108	73
-	-	-	Other revenue	-	-	-
542	222	320	Total operating revenues	542	222	320
			Operating expenses:			
10	10	-	Salaries and benefits	10	10	-
1	4	3	Purchased services	1	4	3
-	-	-	Supplies	-	-	-
-	-	-	Depreciation and amortization	-	-	-
-	-	-	Interest	-	-	-
-	-	-	Leases and rentals	-	-	-
5	67	62	Other	5	67	62
16	81	65	Total operating expenses	16	81	65
\$526	\$141	\$385	Increase in net position	\$526	\$141	\$385

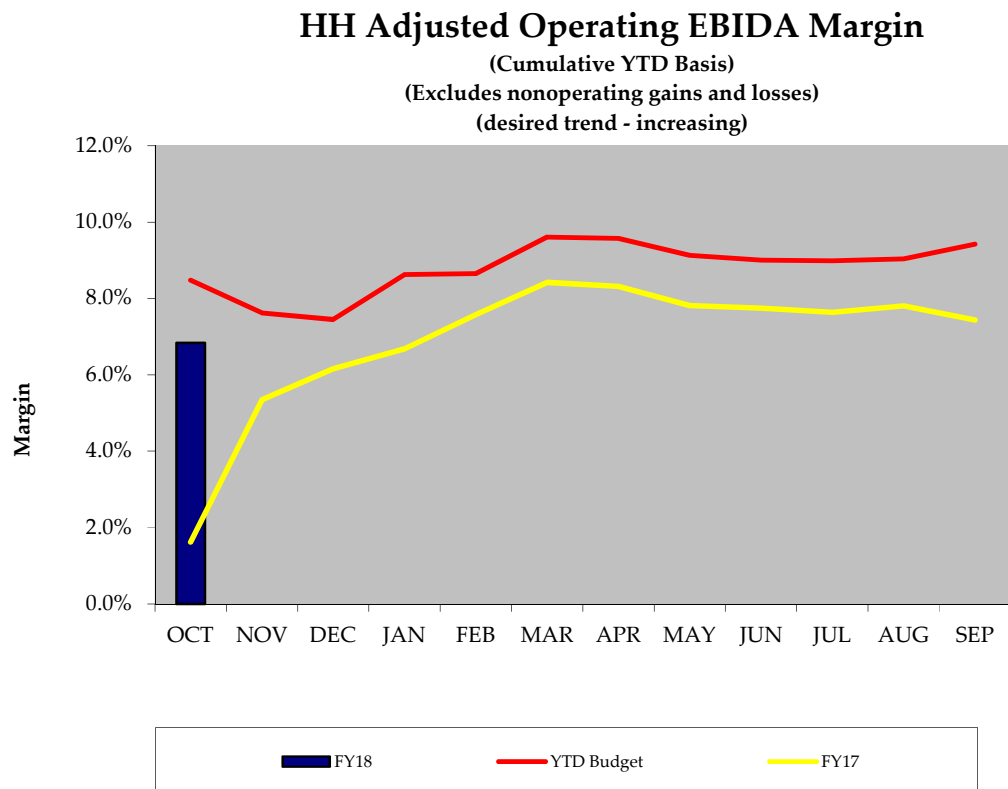
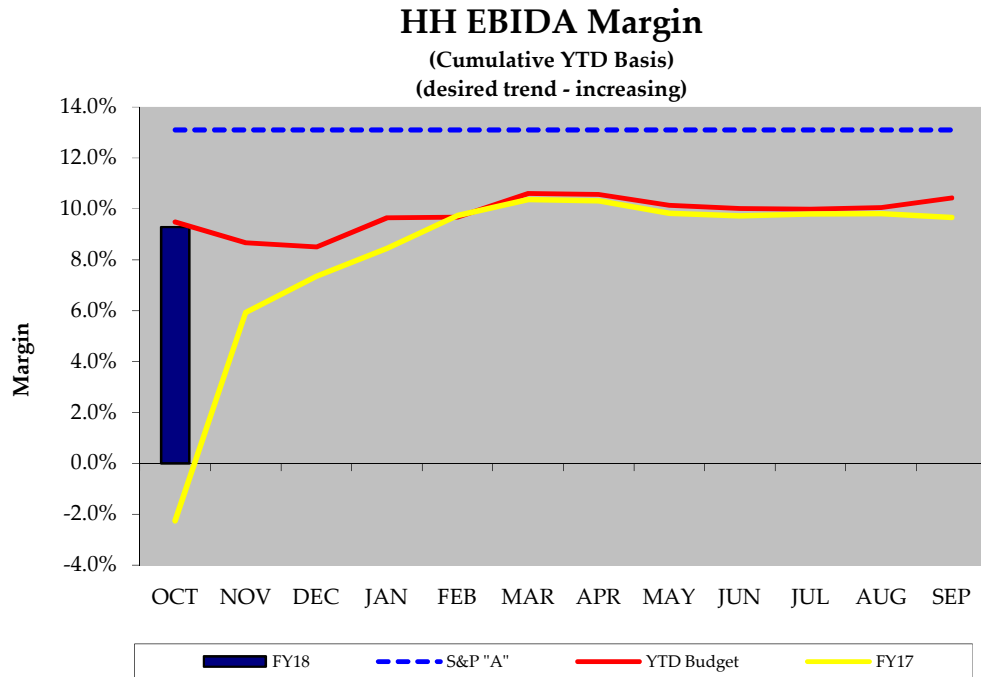
Halifax Health Medical Center (Obligated Group)
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2017	Static Budget Month Ended October 31, 2017	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2017	Static Budget One Month Ended October 31, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
\$49,812	\$48,686	\$1,126	Net patient service revenue, before provision for bad debts	\$49,812	\$48,686	\$1,126
(11,122)	(7,978)	(3,144)	Provision for bad debts	(11,122)	(7,978)	(3,144)
38,690	40,708	(2,018)	Net patient service revenue	38,690	40,708	(2,018)
504	504	-	Ad valorem taxes	504	504	-
1,614	1,420	194	Other revenue	1,614	1,420	194
40,808	42,632	(1,824)	Total operating revenues	40,808	42,632	(1,824)
			Operating expenses:			
21,502	22,585	1,083	Salaries and benefits	21,502	22,585	1,083
5,563	5,089	(474)	Purchased services	5,563	5,089	(474)
7,941	7,956	15	Supplies	7,941	7,956	15
1,974	1,881	(93)	Depreciation and amortization	1,974	1,881	(93)
1,390	1,389	(1)	Interest	1,390	1,389	(1)
591	577	(14)	Ad valorem tax related expenses	591	577	(14)
626	633	7	Leases and rentals	626	633	7
2,129	2,120	(9)	Other	2,129	2,120	(9)
41,716	42,230	514	Total operating expenses	41,716	42,230	514
(908)	402	(1,310)	Excess (deficiency) of operating revenues over expenses	(908)	402	(1,310)
			Nonoperating revenues, expenses, and gains/(losses):			
119	180	(61)	Realized investment income/(losses)	119	180	(61)
8	(2)	10	Unrealized investment income/(losses)	8	(2)	10
(1)	-	(1)	Donation revenue	(1)	-	(1)
-	-	-	Nonoperating gains/(losses), net	-	-	-
126	178	(52)	Total nonoperating revenues, expenses, and gains/(losses)	126	178	(52)
(782)	580	(1,362)	Increase (decrease) in net position before other changes in net	(782)	580	(1,362)
1,581	512	1,069	Income from affiliates	1,581	512	1,069
\$799	\$1,092	(\$293)	Increase in net position	\$799	\$1,092	(\$293)

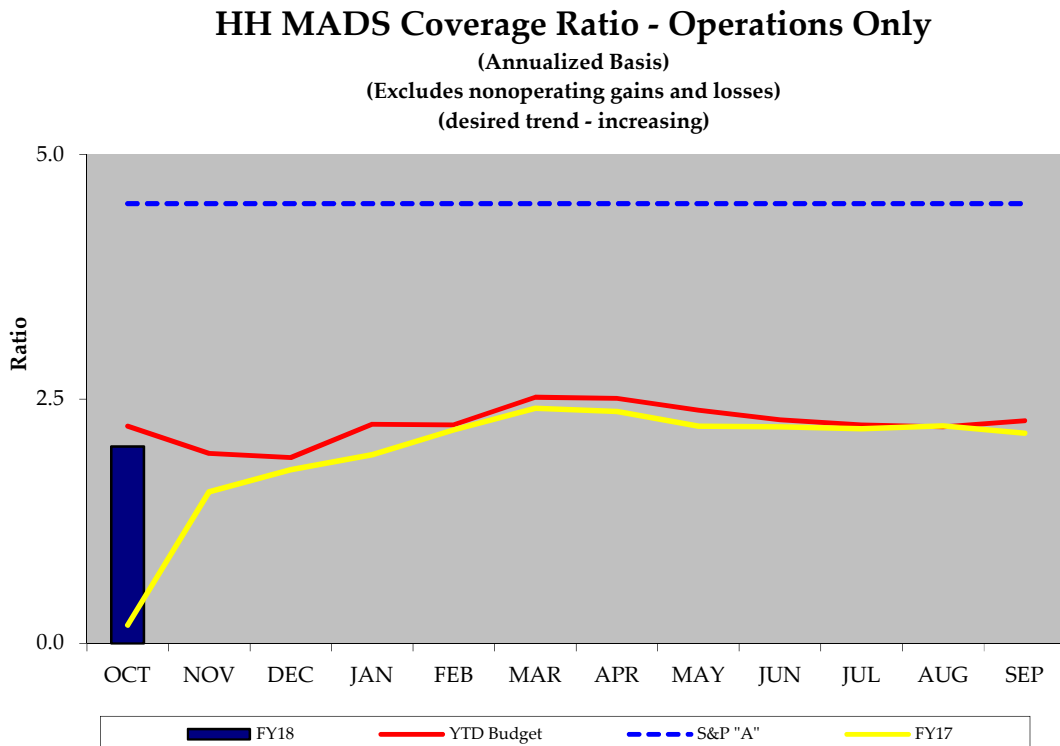
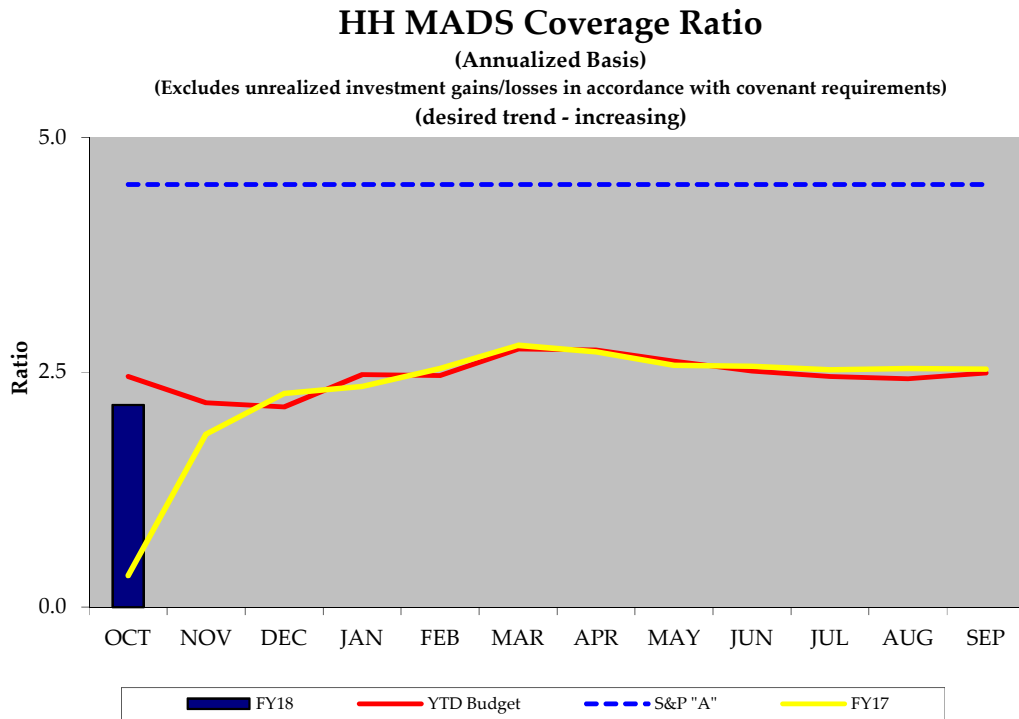
Halifax Health Financial Summary - Graphic



Halifax Health Financial Summary - Graphic

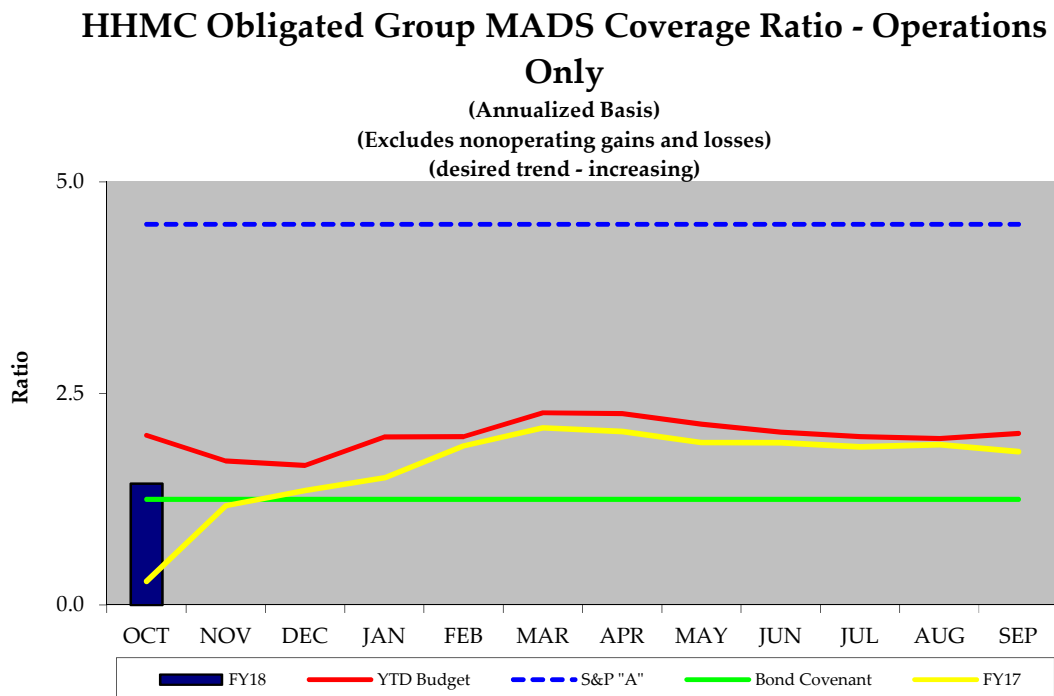
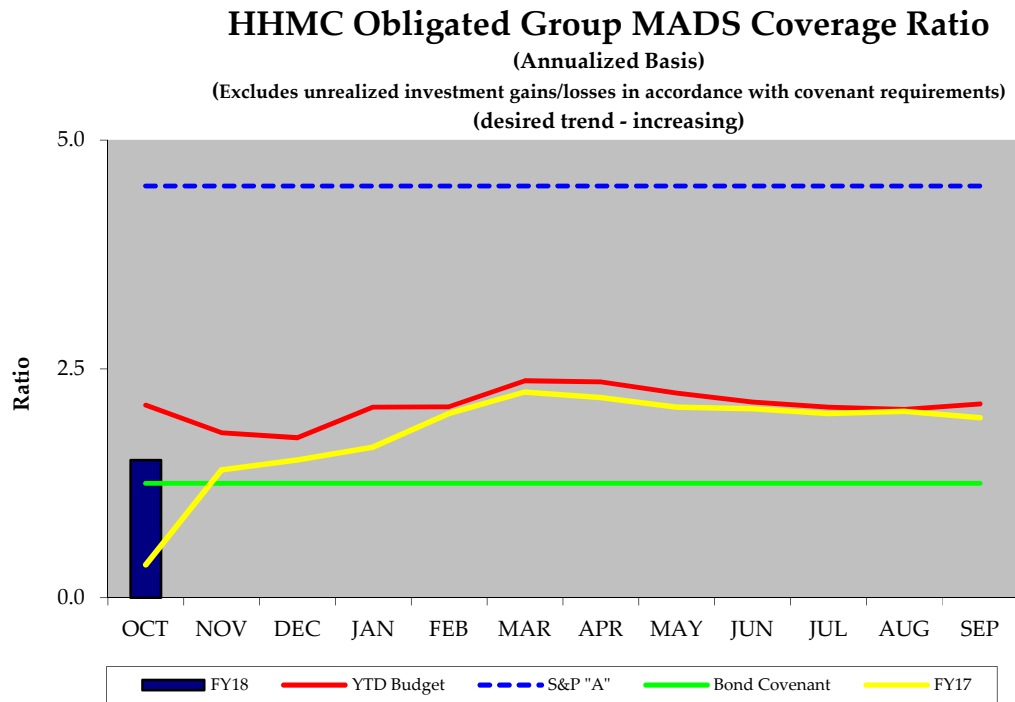


Halifax Health Financial Summary - Graphic



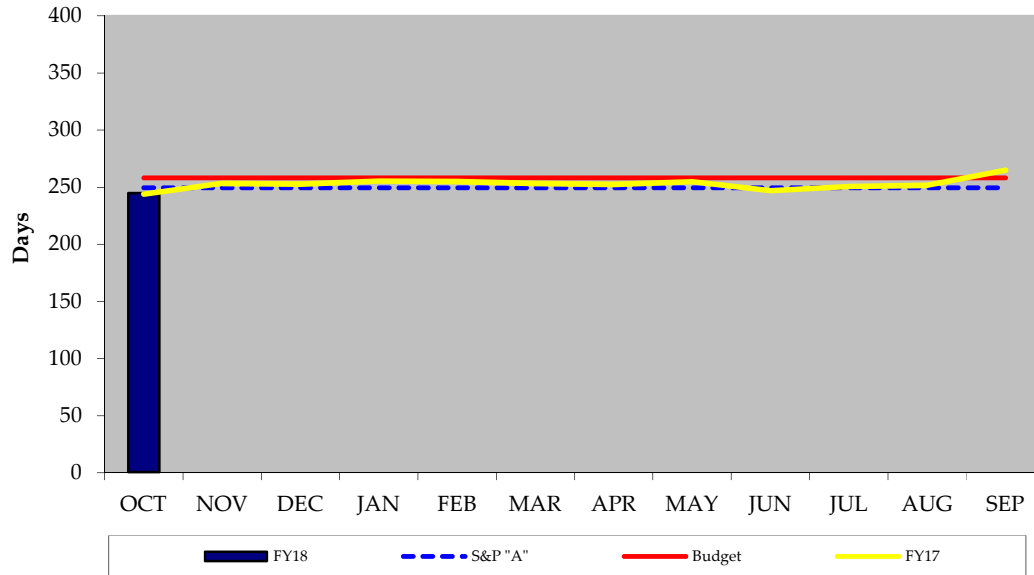
Halifax Health

Financial Summary - Graphic

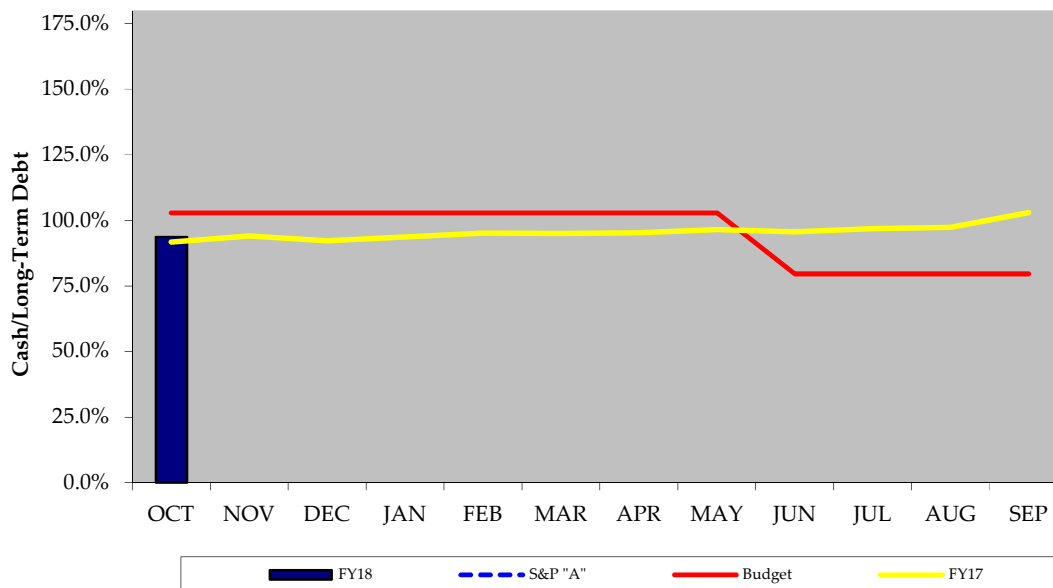


Halifax Health Financial Summary - Graphic

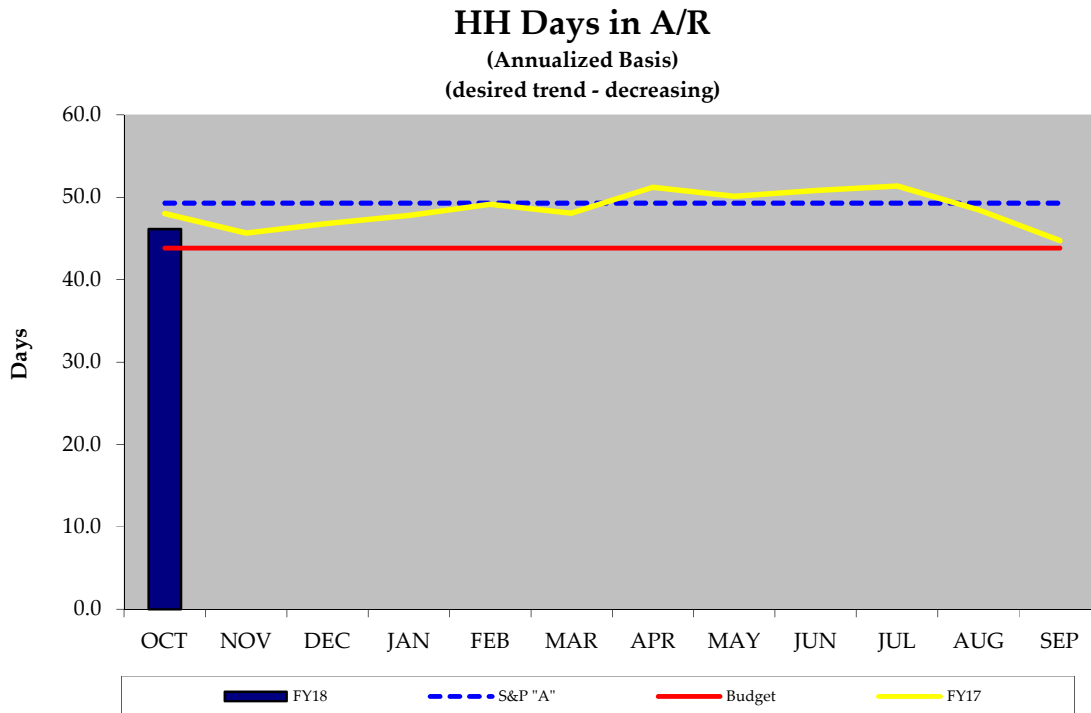
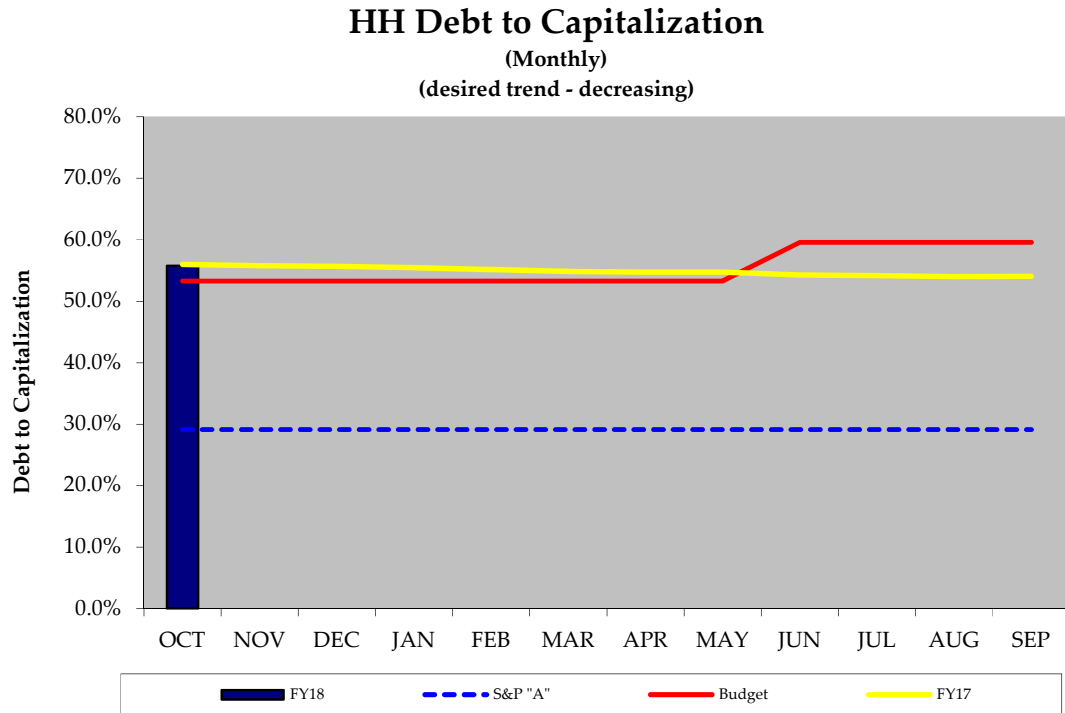
HH Days Cash on Hand (Annualized Basis) (desired trend - increasing)



HH Cash/Debt (Monthly) (desired trend - increasing)

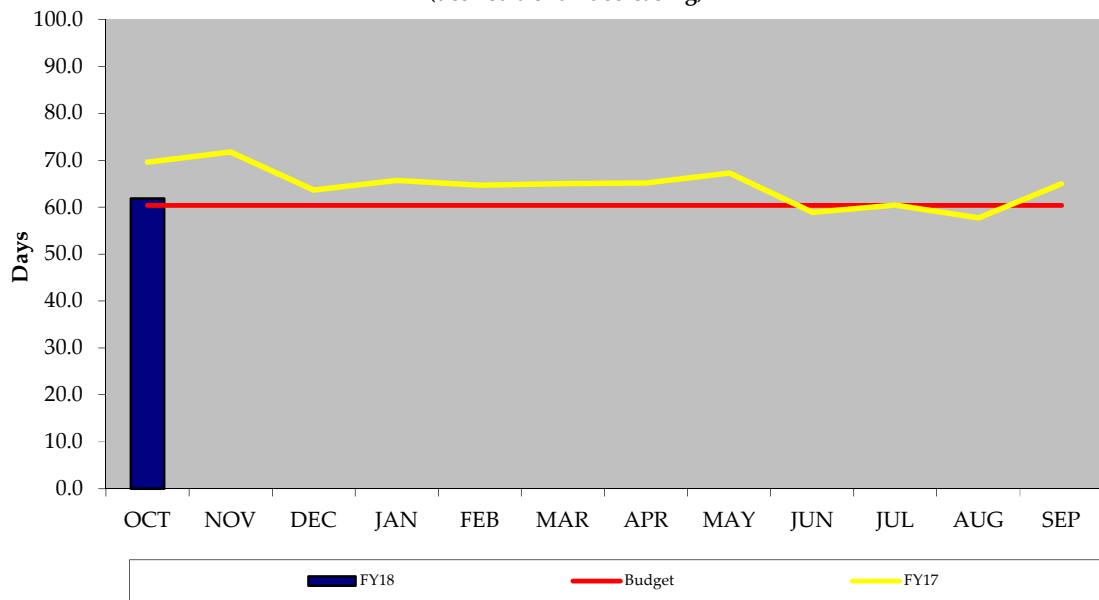


Halifax Health Financial Summary - Graphic

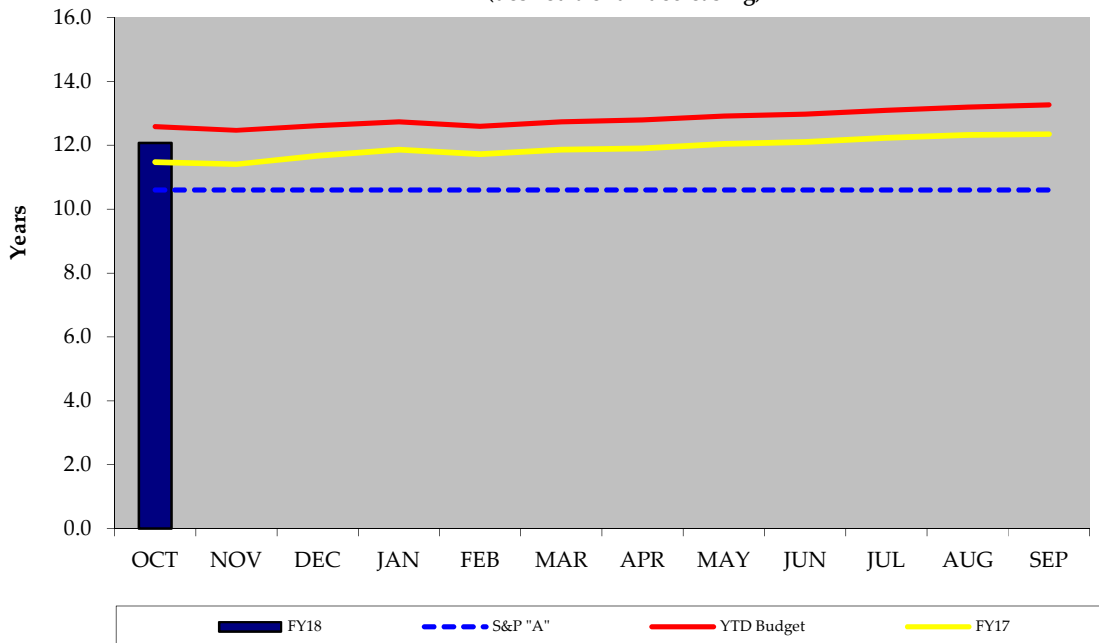


Halifax Health Financial Summary - Graphic

HH Average Payment Period (Annualized Basis) (desired trend - decreasing)



HH Average Age of Plant (Annualized Basis) (desired trend - decreasing)



Halifax Health
Financial Ratios and Operating Indicators
Definitions and Calculations

Indicator	Definition	Calculation
Total Margin *	Gauges the relative efficiency with which the System produces its output.	$\frac{\text{Net Income}}{\text{Total Revenues}}$
EBIDA Margin *	Gauges the relative efficiency excluding capital costs with which the System produces its output.	$\frac{\text{Net income} + \text{Int} + \text{Depr} + \text{Amort}}{\text{Total Revenues}}$
MADS Coverage Ratio *	Measures profitability relative to the Maximum Principal and Interest Payment of Debt	$\frac{\text{Net Income} + \text{Depr} + \text{Amort} + \text{Int}}{\text{Maximum Annual Debt Service}}$
Days Cash on Hand	Measures the number of days of average cash expenses that the System maintains in cash and cash equivalents and unrestricted investments.	$\frac{\text{Unrestricted Cash and Investments}}{(\text{Total Expenses} - \text{Depr}) / \text{Days in Period}}$
Cash to Long-term Debt	Measures the percentage of unrestricted cash and investments to long-term debt.	$\frac{\text{Unrestricted Cash and Investments}}{\text{Long-term Debt}}$
Long-term Debt to Capitalization	Measures the reliance on long-term debt financing and ability to issue new debt.	$\frac{\text{Long-term Debt}}{\text{Long-term Debt} + \text{Net Position}}$
Days in Accounts Receivable	Measures the average time that receivables are outstanding, or the average collection period.	$\frac{\text{Accounts Receivable}}{\text{Net Patient Service Revenue} / \text{Days in Period}}$
Average Payment Period	Provides a measure of the average time that elapses before current liabilities are paid.	$\frac{\text{Current Liabilities}}{(\text{Total Expenses} - \text{Depr}) / \text{Days in Period}}$
Average Age of Plant	Provides a measure of the average age in years of the System's fixed assets.	$\frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}}$
Operating Margin	Gauges the relative operating efficiency with which the System produces its output.	$\frac{\text{Excess of Operating Revenues}}{\text{Total Operating Revenues} + \text{Bad Debt}}$
* Operations Only Indicators	Excludes realized and unrealized investment income, donations, and nonoperating gains and losses	

Halifax Health
FY2017 Capital Investment Strategy
Executive Summary
As of November, 2017
(\$ in thousands)

Targeted Unrestricted Cash and Investments - September 30, 2018 (258 days cash on hand)	\$ 369,463
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Projected FY 2018 funds available for capital expenditures - based on current level of unrestricted cash and investment, plus amounts expected to be derived from operations and other sources	\$ 19,352	=	This amount is less than the projected capital expenditures for FY 2018
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Capital Strategy Justifications for Approval of Proposed Capital Projects:

1. The targeted unrestricted cash and investments for September 30, 2018 (and related days cash on hand) continues to be considered appropriate.
2. The capital requirements of the projects proposed for Board of Commissioners' approval are within the scope of the FY 2018 capital budget.

Halifax Health
FY2017 Capital Investment Strategy
As of November, 2017
(\$ in thousands)

	Hospital Only	HH Holdings	HH Obligated Group	Foundation	Hospice	Total Halifax Health*
Unrestricted Cash and Investments and days cash on hand						
Actual unrestricted Cash and Investments as of November 30, 2017	\$68,241	\$162,114	\$230,355	\$37,737	\$72,197	\$340,289
Days cash on hand [S&P Calculation]	54.0	N/A	180.5	N/A	619.3	243.4
Days cash on hand including bad debt [Bond Compliance Calculation]	41.8	N/A	140.0	N/A	602.9	192.2
Projection of Cash Available for Capital Investment - FY 2018						
Actual unrestricted Cash and Investments as of November 30, 2017	\$68,241	\$162,114	\$230,355	\$37,737	\$72,197	\$340,289
Budgeted Cash and Investments at September 30, 2018	92,181	164,611	256,792	37,215	75,456	369,463
Difference	(23,940)	(2,496)	(26,437)	522	(3,259)	(29,174)
Calculation of Cash from Operations Available for Capital Investment						
Gain from operations - budgeted FY 2018- Remaining	\$8,498	\$510	\$9,008	\$1,402	\$616	\$12,809
GASB 68 pension accounting - budgeted FY 2018- Remaining	1,004	-	1,004	-	60	1,064
Depreciation expense - budgeted FY 2018- Remaining	17,945	666	18,611	-	593	20,067
Expected cash from operations- budgeted FY 2018- Remaining	27,446	1,176	28,622	1,402	1,269	33,940
Donations and nonoperating gains, net- budgeted FY 2018- Remaining	-	-	-	-	577	577
Investment gains- budgeted FY 2018- Remaining	\$498	\$1,305	\$1,803	\$0	\$1,853	\$3,656
Portion being made available for capital expenditures	100% 498	100% 1,305	100% 1,803	100% -	100% 1,853	100% 3,656
Pension Funding	-	-	-	-	-	-
Expected changes in working capital through September 30, 2018	16,702	-	16,702	-	-	16,702
Principal payments on debt	(6,349)	-	(6,349)	-	-	(6,349)
Total expected cash and investments available for capital expenditures	(A) \$14,357	(A) (\$15)	(A) \$14,342	(A) \$1,924	(A) \$441	(A) \$19,352
Projected Capital Investments FY 2018						
Capital projects approved in FY 2017 and prior - not expended at September 30, 2017	\$14,834	\$0	\$14,834	\$0	\$78	\$14,912
FY 2017 carryover not approved by CIC	2,300	-	2,300	-	-	2,300
FY 2018 budgeted projects approved in FY 2017 or prior	(2,200)	-	(2,200)	-	-	(2,200)
FY2018 capital budget	19,700	-	19,700	-	300	20,000
Estimated carryover of approved projects to FY 2019	(15,000)	-	(15,000)	-	-	(15,000)
Projected capital expenditures	(B) 19,634	(B) -	(B) 19,634	(B) -	(B) 378	(B) 20,012
Projected funds available in excess of capital expenditures	(A)-(B) (\$5,277)	(A)-(B) (\$15)	(A)-(B) (\$5,292)	(A)-(B) \$1,924	(A)-(B) \$63	(A)-(B) (\$660)
Summary of Capital Approvals						
FY 2018 Capital Budget	\$19,700	\$0	\$19,700	\$0	\$300	\$20,000
Projected funds available in excess of FY 2018 Capital Investment	(5,277)	(15)	(5,292)	1,924	63	(660)
FY 2018 Capital Budget plus projected excess funds	(C) 14,423	(C) (15)	(C) 14,408	(C) 1,924	(C) 363	(C) 19,340
FY2018 Board of Commissioners approved projects	986	-	986	-	-	986
FY 2018 CIC approved projects, net of those subsequently approved by the Board	307	-	307	-	-	307
Approved capital projects	(D) 1,293	(D) -	(D) 1,293	(D) -	(D) -	(D) 1,293
Adjustments (FY 2018 board approvals, approved by CIC in FY 2017)	(E) (302)	(E) -	(E) (302)	(E) -	(E) -	(E) (302)
Available for new projects	(C)-(D)-(E) 13,432	(C)-(D)-(E) (15)	(C)-(D)-(E) 13,417	(C)-(D)-(E) 1,924	(C)-(D)-(E) 363	(C)-(D)-(E) 18,349
Project(s) proposed for Board of Commissioners approval:						
Data Protection Hardware & Software	(\$93)		(\$93)			(\$93)
Chilled Water Connection for OR - Fountain Bldg	(463)		(463)			(463)
Ultrasound for Deltona ED	(137)		(137)			(137)
Passive Hallway Harness	(132)		(132)			(132)
EEG for HMC & EEG Upgrade for HHPO	(63)		(63)			(63)
Chiller for Ormond Beach ROC	(187)		(187)			(187)
Available Capital if Proposed Projects are Approved	\$12,358	(\$15)	\$12,342	\$1,924	\$363	\$17,275

* Includes VHN and HMS. Amounts are not reflected individually.

Halifax Health
Capital Budget
FY 2018 Budget - November 30, 2017 Evaluation
(in Thousands)

		(A)	(B)	(C)	(A)+(B)+(C)		
		FY 18 Capital Budget	FY18 Adjustments	FY 18 Activity/ Approvals	Remaining Balance as of 11/30/2017	Current CIC Submitted Projects	Remaining Capital with CIC Projects Approved
Item	Information Technology						
1	IT Enterprise Projects	\$461			\$461		\$461
2	IT Internal Resource Capitalization	500			500		500
3	Laptop/Desktop Replacement (rolling 4-5 year cycle)	600			600		600
4	WOW Replacement (rolling 7 year cycle) - 50/yr.	300			300		300
5	Wireless Upgrade	350			350		350
6	PBX Room Decomission	200			200		200
7	Security Camera Upgrade to IP	150			150		150
8	Enterprise Infrastructure	439			439		439
	Total Information Technology	\$3,000	\$0	\$0	\$3,000	\$0	\$3,000
Item	Medical Equipment						
9	Brain Lab- Upgrade System (Aero CT)	\$1,800			\$1,800		\$1,800
10	VNA Imaging *	1,400		(1,400)	-		(1,400)
11	IV Pumps	800		(800)	-		0
12	Ventilators (57)	475			475		475
13	Patient Monitoring- PICU/Pediatrics	403			403		403
14	Echo Cart for EP lab	235			235		235
15	Portable X-Ray Systems (5)	185			185		185
16	Varian Accelerator Upgrade (Hardware/ Software)	156			156		156
17	Ultrasound Replacement	150			150		150
18	Diagnostic reading monitors	150			150		150
19	Patient Monitoring- HHPO Switch Upgrade	150			150		150
20	OeC OR C-Arm	125			125		125
21	Medical Equipment Emergency Purchases	1,000			1,000		1,000
22	Medical Equipment Projects under \$100,000	1,000		(187)	813		813
	Total Medical Equipment	\$8,029	\$0	(\$2,387)	\$5,642	\$0	\$5,642
Item	Infrastructure/Facilities						
23	Chilled Water Project	\$435			\$435		\$435
24	Lab roof	265			265		265
25	MSR1 Switchgear	800			800		800
26	Daytona ROC Oncology Renovation	1,500			1,500		1,500
27	Infrastructure Emergency Purchases	1,000			1,000		1,000
28	Infrastructure Projects under \$100,000	1,000		(119)	881		881
	Total Infrastructure/Facilities	\$5,000	\$0	(\$119)	\$4,881	\$0	\$4,881
Item	Hospice Capital Expenditures						
29	SEVC Range Hood	\$100			\$100		\$100
30	Hospice Capital	200			200		200
	Total Hospice Capital Expenditures	\$300	\$0	\$0	\$300	\$0	\$300
Item	Other						
31	Service Expansion	\$3,521			\$3,521		\$3,521
32	First Steps Shelter	150			150		150
	Subtotal Other Projects	\$3,671	\$0	\$0	\$3,671	\$0	\$3,671
	Total HH Capital Expenditures	\$20,000	\$0	(\$2,507)	\$17,493	\$0	\$17,493

* VNA was approved August 8, 2016 and will be funded over three fiscal years (\$0.3M in FY2016, \$1.5M in FY2017, and \$1.4M in FY2018)

Halifax Health
FY 2018 and Prior Approved Capital Projects and Expenditures
As of November, 2017
(\$ in thousands)

	Project Approval Date	Total Carryover and Approved	Spent During FY 2018	HMC Remaining to be Spent	HH Holdings Remaining to be Spent	Hospice Remaining to be Spent
Capital funds required for projects approved in FY 2017 and prior						
IV Pumps	9/5/2017	\$ 2,317	\$ -	\$ 2,317		
Vendor Neutral Archive (VNA) for Enterprise Imaging	8/8/2016	2,251	(762)	1,489		
Cath Lab Renovation	8/16/2017 *	1,800	-	1,800		
Cardiac Cath & Electrophysiology Lab Replacement	11/7/2016	1,601	(873)	728		
Fire Alarm System	3/16/2016	675	-	675		
Surgical Power Equipment- Small Bone Orthopedics	3/6/2017	471	(403)	68		
AHUs #1, #3, #4, #5 for OR Areas	3/6/2017	465	-	465		
Medical Oncology Expansion-Port Orange	5/1/2017	433	(3)	430		
Bronchoscopy Lab Construction	5/1/2017	427	(230)	196		
Pediatric Rehab Renovation	5/1/2017	352	(131)	221		
Air Handling Unit #5 for Facility Expansion Roof	8/24/2016	223	-	223		
CVICU & CPCU Renovation	12/5/2016	203	(17)	186		
Air Handling Unit #1 for SPD Area	8/24/2016	186	-	186		
Port Orange Equipment Refresh	2/17/2016	186	-	186		
Fairwarning Patient Privacy System	5/1/2017	182	-	182		
Brain Path Kit	5/1/2017	181	(176)	6		
Data Center Cooling Replacement	9/21/2016	163	-	163		
New Smyrna Beach Family Practice-Expansion	9/5/2017	138	-	138		
Outpatient Rehab JV Renovations	6/6/2016	137	-	137		
Access Control-Lenel License & Network Boards	7/10/2017	125	-	125		
Chiller #1 for HHPO	3/7/2016	123	-	123		
Plasma Pheresis Systems (Qty 5)	3/6/2017	122	-	122		
Diagnostic (Xray) Equipment Retro Fit for HHPO	7/10/2017	100	-	100		
Subtotal of approved items less than \$100k		1,748	(254)	1,416	78	-
Total Capital funds required for projects approved in FY 2017 and prior		\$ 14,607	\$ (2,340)	\$ 11,681	\$ 78	\$ -
FY2018 Board Approved Capital Projects						
Orthopedic Hana Surgical Table	9/20/2017 ^	\$ 93	\$ -	\$ 93		
Orthopedic Surgical Tables (x2)	8/16/2017 ^	110	-	110		
GI Lab Relocation	10/18/2017	684	(2)	682		
Urinalysis Analyzer	8/16/2017 ^	100	-	100		
Total FY 2018 Board Approved Capital Projects		\$ 986	\$ (2)	\$ 985	\$ -	\$ -
FY 2018 Other Approved Capital Projects						
Subtotal of approved items less than \$50k		\$ 245	\$ (23)	\$ 222	\$ -	-
Total FY 2018 Other Approved Capital Projects		\$ 307	\$ (23)	\$ 284	\$ -	\$ -
Projects proposed for Board of Commissioners approval						
Data Protection Hardware & Software	11/20/2017	\$ 93	\$ -	\$ 93		
Chilled Water Connection for OR - Fountain Bldg.	11/20/2017	463	-	463		
Ultrasound for Deltona ED	11/20/2017	137	-	137		
Passive Hallway Harness	11/20/2017	132	-	132		
EEG for HMC & EEG Upgrade for HHPO	11/20/2017	63	-	63		
Chiller for Ormond Beach ROC	11/20/2017	187	-	187		
Total Project(s) proposed for Board approval		\$ 187	\$ -	\$ 187	\$ -	\$ -

* Project approved by CIC Committee. Project not yet submitted to Board for approval.

^ CIC approved project in FY 2017; part of capital carryover

CAPITAL EXPENDITURES & OPERATING LEASES

Audit & Finance Committee

January 3, 2018

Capital Expenditures \$50,000 and over

DESCRIPTION	DEPARTMENT	SOURCE OF FUNDS	TOTAL
Data Protection Hardware & Software	Information Technology	Working Capital	\$496,641
Chilled Water Piping Project for Surgical Suites	Facility Operations	Working Capital	\$463,349
Chiller for Ormond ROC	Facility Operations	Working Capital	\$186,532
Patient Harness System for Inpatient Rehabilitation	Halifax/Brooks Center for Inpatient Rehabilitation	Working Capital/Brooks Healthcare	\$83,315

Operating Leases \$250,000 and over

DESCRIPTION	DEPARTMENT	REPLACEMENT Y/N	LEASE TERMS	INTEREST RATE	MONTHLY PAYMENT



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Arvin Lewis, Senior Vice President and Chief Revenue Officer
CC: Tom Stafford, Vice President and Chief Information Officer
Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: December 14, 2017
RE: Data Protection Hardware & Software

Halifax Health Information Technology is requesting funds to purchase hardware & software for the data protection platform. This platform mitigates our risk of data loss due to environmental conditions (e.g. hurricanes), system failures (e.g. loss of cooling, power, IT system failures), and loss due to fire.

The new platform will also mitigate the risk of losing data due to a cyber-threat such as hacker ransomware or erasing data. The new hardware will replace existing hardware that has reached end of life.

The project was approved at the Capital Investment Committee meeting on November 15, 2017.

TOTAL CAPITAL COST \$496,641



Halifax Health Project Evaluation

Data Protection Hardware and Software

Chief Revenue Officer:	Arvin Lewis
Chief Information Officer:	Tom Stafford
Director, Client and Infrastructure Services:	Michael Marques
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project is to purchase hardware and software for the data protection platform.

Strategic Plan Core Competency Achievement:

Physician Integration	
Care Coordination	
Cost Management	
Information Technology	X
Service Distribution	
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:

Safety	X
Compassion	
Image	X
Efficiency	X

Investment Request for Approval \$496,641

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: December 20, 2017
RE: Chilled Water Piping Project for Surgical Suites

Halifax Health Facility Operations Department is requesting funds to install a chilled water pipe bypass system for the Surgical Suites on the third floor of the Fountain Building. The bypass will connect the main chilled water supplied from the North Central Energy Plant and route the water through the France Tower, connecting it to the three air handling units (AHUs) located above the surgical suites in the Fountain Building.

The chilled water is necessary to provide a secondary means of cooling the AHUs that serve the surgical suites. The bypass system will supplement the chilled water currently provided by the South Central Energy Plant, providing redundancy that will reduce risks of failure to both chilled water systems.

The project was approved at the Capital Investment Committee meeting on December 20, 2017.

TOTAL CAPITAL COSTS \$463,349



Halifax Health

Project Evaluation

Chilled Water Connection

Chief Financial Officer:
Director, Engineering:
Finance Analysis by:

Eric Peburn
Jacob Nagib
Steve Mach

Summary

Purpose:

This project will provide chilled water-piping connection from the North Power area to air handler units supporting the operating room suites in the Fountain Tower.

Strategic Plan Core Competency Achievement:

Physician Integration
Care Coordination
Cost Management
Information Technology
Service Distribution
Financial Position
Scale
Managed Care Contracting
Competitive Position

X
X

Cornerstone:

Safety
Compassion
Image
Efficiency

X
X

Investment Request for Approval

\$463,349

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: December 20, 2017
RE: Chiller for Ormond ROC

Halifax Health Facility Operations is requesting funds to purchase a chiller for the Ormond Beach Regional Oncology Center (ROC).

The existing chiller is 17 years old and the only unit that supplies chilled water to the air handling unit for this location. The chiller runs continuously. The condenser coils of the chiller to be replaced have deteriorated beyond repair.

The project was approved at the Capital Investment Committee meeting on December 20, 2017.

TOTAL CAPITAL COSTS \$186,532



Halifax Health Project Evaluation

Ormond Beach Regional Oncology Center Chiller

Chief Financial Officer:	Eric Peburn
Director, Engineering:	Jacob Nagib
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project will replace the chiller that supplies chilled water for the Ormond Beach Regional Oncology Center building.

Strategic Plan Core Competency Achievement:

Physician Integration	
Care Coordination	X
Cost Management	X
Information Technology	
Service Distribution	
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:

Safety	X
Compassion	
Image	X
Efficiency	X

Investment Request for Approval **\$186,532**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Mark Billings, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Alberto Tineo, Senior Vice President, Operations
DATE: December 20, 2017
RE: Patient Harness System for Inpatient Rehabilitation

Halifax/Brooks Center for Inpatient Rehabilitation is requesting funds to obtain two (2) patient harness systems for the therapy gyms located on the eighth and ninth floors. The system allows the therapist to easily attach up to three patients simultaneously to secured harnesses for gait training.

The harness system will be used for inpatient rehabilitation patients who have complex issues including stroke, traumatic brain injury, spinal cord injury, multiple sclerosis, and Parkinson's. The greatest advantage of using the system is that it can be utilized with only one or two staff members instead of requiring up to four staff members to ambulate one patient while pushing a cumbersome device for stability.

The harness permits the patient to practice ambulation, sit-to-stand and other functional balance tasks while removing the risk of falling. Additionally, the system frees the therapist to work on correcting gait deviations while performing mobility tasks rather than being restricted to use their hands to help maintain the patient in an upright position to prevent a fall. The device will challenge the patient to advance to greater levels of independence, increase outcome measures, and be more cost efficient.

The project was approved at the Capital Investment Committee meeting on December 20, 2017.

TOTAL CAPITAL COSTS \$83,315



Halifax Health Project Evaluation

Patient Harness System for Inpatient Rehabilitation

Chief Operating Officer:	Mark Billings
Vice President, Operations:	Alberto Tineo
Executive Director- Rehabilitation Services:	Astrid Gonzalez-Parrilla
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project will install two (2) patient harness systems for therapy gyms located in the inpatient rehabilitation unit. The system allows the therapist to attach patients to a secured harness for gait training.

Strategic Plan Core Competency Achievement:

Physician Integration	
Care Coordination	X
Cost Management	
Information Technology	
Service Distribution	X
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:

Safety	X
Compassion	X
Image	X
Efficiency	

Investment Request for Approval **\$83,315**

Recommendation for approval of the project is not based upon incremental return on investment.

**Halifax Health Medical Center
Capital Disposals
DECEMBER 2017**

The Board hereby deems the following property to be surplus in that: the items are obsolete, their continued use would be uneconomical or inefficient, or they serve no useful function. Disposition of said property is therefore authorized pursuant to Florida Statutes, Chapter 274.

Asset #	Description	Department	Date Purchased	Original Cost	Book Value
40352	DEFIBRILLATOR LIFEPAK 8	SPD	12/07/90	2,468.94	-
45879	CYSTO CART	SPD	05/11/94	1,000.00	-
45891	DEFIBRILLATOR LIFEPAK 9-CRASH CART	SPD	06/08/94	5,886.35	-
47612	HP LASERJET 5 SI PRINTER	SPD	02/13/97	2,824.01	-
48331	DEFIBRILLATOR LIFEPAK 9	SPD	05/19/94	7,756.82	-
54406	BARCODE AND LABEL SYSTEM	SPD	07/31/04	2,395.00	-
0022140	CART SUPPLY	SPD	07/01/76	535.00	-
0022141	CART SUPPLY	SPD	07/01/76	535.00	-
0022142	CART SUPPLY	SPD	07/01/76	535.00	-
0022147	CART SUPPLY	SPD	07/01/76	535.00	-
0022150	CART SUPPLY	SPD	07/01/76	535.00	-
0022153	CART SUPPLY	SPD	07/01/76	535.00	-
0022155	CART SUPPLY	SPD	07/01/76	535.00	-
0022156	CART SUPPLY	SPD	07/01/76	535.00	-
0022158	CART SUPPLY	SPD	07/01/76	535.00	-
0022161	CART SUPPLY	SPD	07/01/76	535.00	-
0022163	CART SUPPLY	SPD	07/01/76	535.00	-
0025817	CART SUPPLY	SPD	04/01/82	535.00	-
0025818	CART SUPPLY	SPD	04/01/82	535.00	-
0025819	CART SUPPLY	SPD	04/01/82	535.00	-
0025820	CART SUPPLY	SPD	04/01/82	535.00	-
0030374	CART SUPPLY	SPD	01/01/84	1,030.63	-
0030376	CART SUPPLY	SPD	01/01/84	1,030.63	-
0032124	CARTS MOBILE SHELVING 30	SPD	05/01/85	5,222.16	-
0032215	CARTS MOBILE SHELVING PR #	SPD	06/01/85	2,255.71	-
0032837	UTILITY CART	SPD	04/01/86	1,017.34	-
0032838	UTILITY CART	SPD	04/01/86	1,017.34	-
0036225	DEFIBRILLATOR/LIFEPAK 8	SPD	03/01/88	4,652.44	-
0036525	RACK W/2 SHELVES 16X16X26	SPD	07/01/88	588.00	-
0036527	RACK W/2 SHELVES 16X16X26	SPD	07/01/88	588.00	-
0037968	CART-ENDOSCOPIC	SPD	12/01/88	1,930.00	-
63009-60	IV HOOK & STANDS (149)	SPD	06/30/09	11,879.77	-
57025	12-REDUNDANT POWER SUPPLIES	I.T.	06/30/09	61,879.50	-
54798	DELL 4100MP PROJECTOR	FAMILY MEDICINE RESIDENCY PROJ	04/08/05	1,719.80	-
60626	MACBOOK PRO 13" LAPTOP	I.T.	04/02/14	1,228.39	-
54469	66 INCH DOUBLE PEDESTAL DESK	FOUNDATION	12/07/04	1,067.76	-
54720	DESK BY WAVEWORKS	CIC	10/22/04	1,012.40	-
56709	INFUSION PUMP GEMSTAR 7 PCA	7 EAST	01/15/08	2,258.31	-
59239	INFUSION PUMP GEMSTAR 7 PCA	7 EAST	01/15/08	2,031.32	-
59240	INFUSION PUMP GEMSTAR 7 PCA	7 EAST	01/15/08	2,258.31	-
54914	PORTABLE TOPSIDE CEILING ENTRY KIT	FACILITY OPERATIONS	07/06/05	2,465.25	-
54921	PORTABLE TOPSIDE CEILING ENTRY KIT	FACILITY OPERATIONS	07/06/05	2,465.25	-
				\$ 139,954.43	\$ -

**Halifax Health Medical Center
Capital Disposals
NOVEMBER 2017**

The Board hereby deems the following property to be surplus in that: the items are obsolete, their continued use would be uneconomical or inefficient, or they serve no useful function. Disposition of said property is therefore authorized pursuant to Florida Statutes, Chapter 274.

Asset #	Description	Department	Date Purchased	Original Cost	Book Value
60382	MEGADYNE PATIENT ELECTRODE	TWIN LAKES O.R.	03/11/15	2,257.75	-
60381	MEGADYNE PATIENT ELECTRODE	TWIN LAKES O.R.	03/11/15	2,257.75	-
60379	MEGADYNE PATIENT ELECTRODE	TWIN LAKES O.R.	03/11/15	2,257.75	-
60380	MEGADYNE PATIENT ELECTRODE	TWIN LAKES O.R.	03/11/15	2,257.75	-
70117	STRYKER NEPTUNE DOCKING STATION	TWIN LAKES O.R.	02/21/13	9,950.00	-
60795	10X 10 COLLAPSIBLE TENT	MARKETING	02/17/15	1,927.68	-
54620	BED	EVS	09/22/04	4,017.35	-
54628	BED	EVS	09/22/04	4,017.35	-
48483	BED	EVS	11/15/95	7,350.00	-
46126	BED	EVS	10/20/94	7,552.26	-
54617	BED	EVS	09/22/04	4,017.35	-
46127	BED	EVS	10/20/94	7,552.26	-
54824	BED	EVS	10/18/05	4,244.40	-
54611	BED	EVS	09/22/04	4,017.35	-
54626	BED	EVS	09/24/04	4,017.35	-
49462	BED	EVS	07/16/98	3,900.38	-
54610	BED	EVS	09/22/04	4,017.35	-
54840	BED	EVS	10/18/05	4,244.40	-
52200	BED	EVS	08/18/03	4,255.68	-
54559	COPYTRONICS COPIER	HHPO ED REGISTRATION	01/13/05	4,437.00	-
55953	COMBI OVEN	FOOD AND NUTRITION	11/22/06	13,040.57	-
54908	VIASYS BEAR CUB 750 VENTILATOR	RESPIRATORY	06/23/05	14,662.74	-
63009-36	CANNISTER SUPPORT UNITS	RESPIRATORY	06/30/09	2,505.44	-
55215	NOVAMETRIX TIDAL WAVE ETCO2 MONITOR	RESPIRATORY	04/24/06	2,403.72	-
50900	RADIOMETERABL 720 BLOOD GAS ANALYZER	RESPIRATORY	11/01/17	27,880.00	-
49973	ACHIEVA VENTILATOR - PSO	RESPIRATORY	07/05/02	8,400.00	-
49972	ACHIEVA VENTILATOR - PSO	RESPIRATORY	07/05/02	8,400.00	-
48840	BIPAP ST/D VENTILATOR	RESPIRATORY	03/14/96	6,017.25	-

\$ 171,858.88	\$ -
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HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Bill Griffin, Director, Research and Planning
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: December 14, 2017
RE: Sale of a Portion of Vacant Land West of Clyde Morris Blvd.

The vacant real estate parcel located west of Clyde Morris Blvd (across from the main campus), consisting of 77.5 +/- acres is owned by Halifax Hospital Medical Center (HHMC). Development of a portion of this parcel is planned, including road and utility infrastructure.

The HHMC Board of Commissioners previously approved (November 2017) sale of 11.68 acres at a purchase price of \$200,000 per acre to Highbridge Care LLC for the development of a traumatic brain injury/spinal cord injury (TBI/SCI) post-acute rehab and a memory care assisted living facility (ALF). A student housing developer (Next Chapter) has submitted a Letter of Intent to purchase 12.5 acres adjacent to the Highbridge parcel for \$200,000 per acre. This parcel is labeled "F" on the attached conceptual parcelization master plan with a recommended use of multi-family. This development is in accord with this master plan.

The negotiated purchase price for 12.50 acres is \$2,500,000 (\$200,000 per acre).

In addition, Next Chapter has agreed to fund a pro rata share of the cost of constructing access road, storm water, and utility infrastructure for the overall site. HHMC's estimated cost of road, storm water, and utility infrastructure up to that round-about (dotted circle) in front of Parcel G on the attached conceptual parcelization master plan is \$2,530,000, of which approximately 22% (\$553,168) is to be paid by Next Chapter. The resulting total purchase price to be paid by Next Chapter would be \$3,053,168 [i.e. \$2,500,000 for the land and \$553,168 for the first part (highlighted in yellow on attached master plan) of Next Chapter's pro rata share of the infrastructure construction costs]. Next Chapter also has agreed in the LOI to pay its pro-rata portion of the cost of constructing road, storm water, and utility infrastructure north to the round-about in front of Parcel F (highlighted in blue on attached master plan). If the infrastructure construction contract for the first part of the infrastructure comes in for less than the \$2,530,000, or if the survey establishes the Sale Parcel is less than 12.5 gross acres, Next Chapter's contribution amount would decrease pro rata.

Additional background on proposed sale:

- This west Clyde Morris land was donated to the Halifax Hospital District in 1935, the book value includes the investment made for wetland mitigation
- Book value of the 77.5 +/- land is \$1,590,951.99; (\$20,528.41 per acre).
- Net gain on sale – Approximately \$2 million

Requested approval:

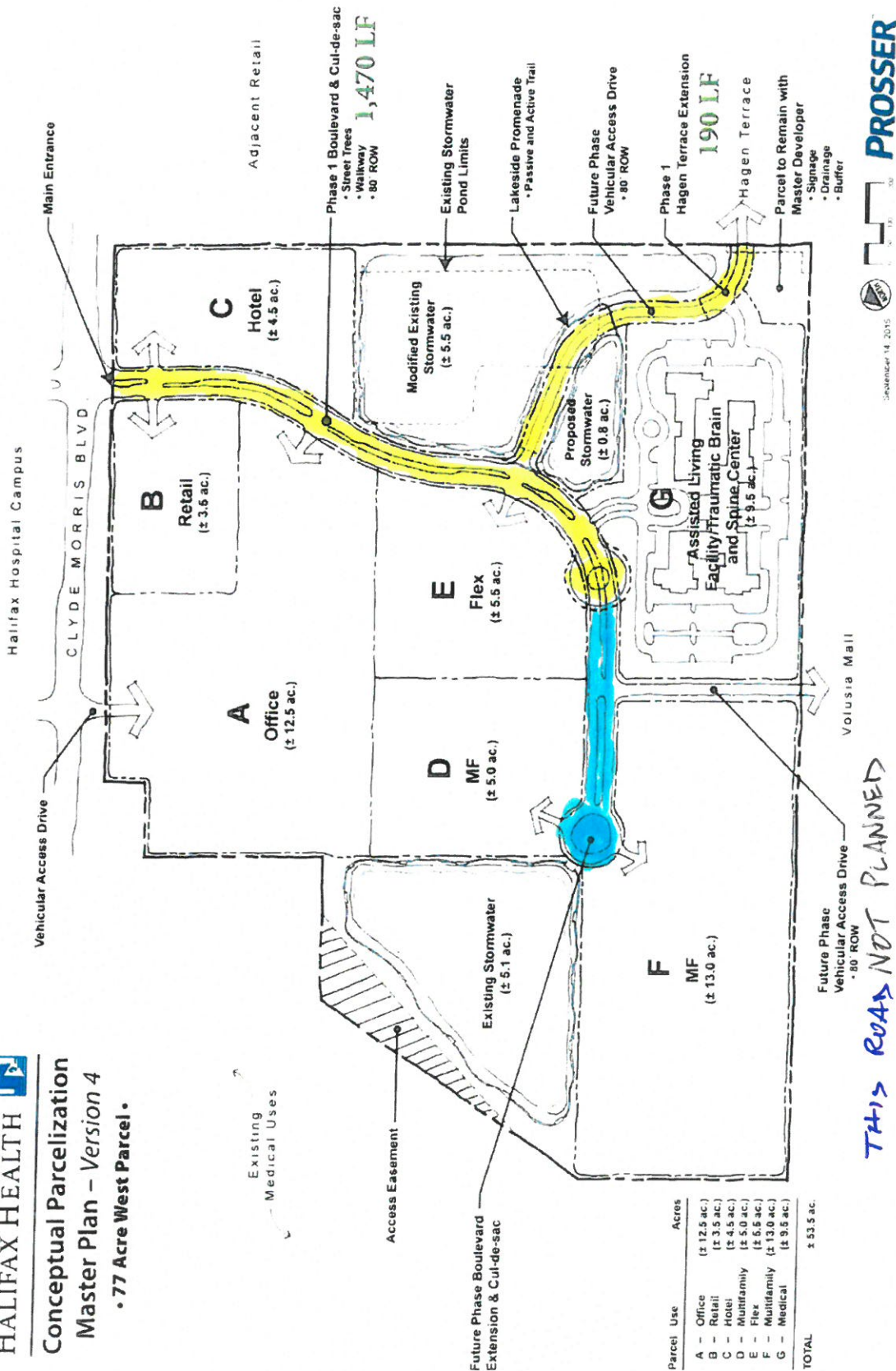
Sell the real estate parcel described above and authorize the Chief Executive Officer or the Chief Financial Officer to execute any related sales documents or agreements.



Conceptual Parcelization

Master Plan - Version 4

• 77 Acre West Parcel •



Halifax Health Audit & Finance Committee

Request Tracker/Checklist

Meeting Date	Request	Projected Timeline	Frequency of Future Updates/Reports	Completed (Y/N)	Other
April 28, 2017	Center for Rehabilitation Service Line Report and Annual Update	January 3, 2018	Annually, Same Timeframe		Will include fiscal year-end reporting when presented in January 2018



HALIFAX HEALTH

Live your life well.

Center for Inpatient Rehabilitation Service Line Report

**Presentation to the Audit and Finance
Committee
January 3, 2018**



HALIFAX HEALTH

Live your life well.



CENTER FOR INPATIENT REHABILITATION

halifaxhealth.org/brooks



Key Statistical Indicators

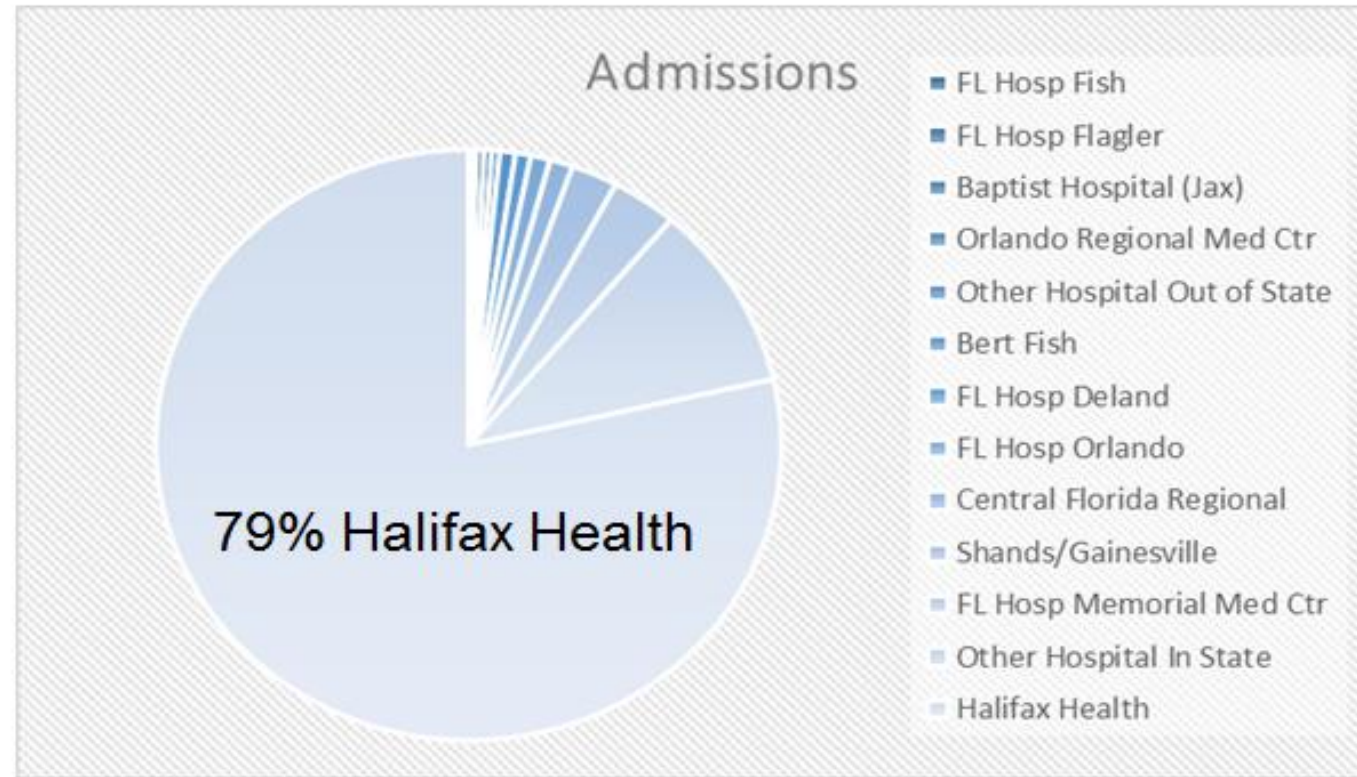
Halifax Brooks Center for Inpatient Rehabilitation

Key Statistics

	Actual FY 2016	Actual FY 2017	Budget FY 2017	Variance
Admissions	655	764	616	24.0%
Patient Days	10,395	10,577	10,197	3.7%
Length of Stay	15.9	13.8	16.6	-16.9%
Average Daily Census	28.5	29.0	27.9	3.7%



Admissions by Hospital



Financial Results

Halifax Brooks Center for Inpatient Rehabilitation

Statement of Revenue and Expenses

Dollars in Thousands

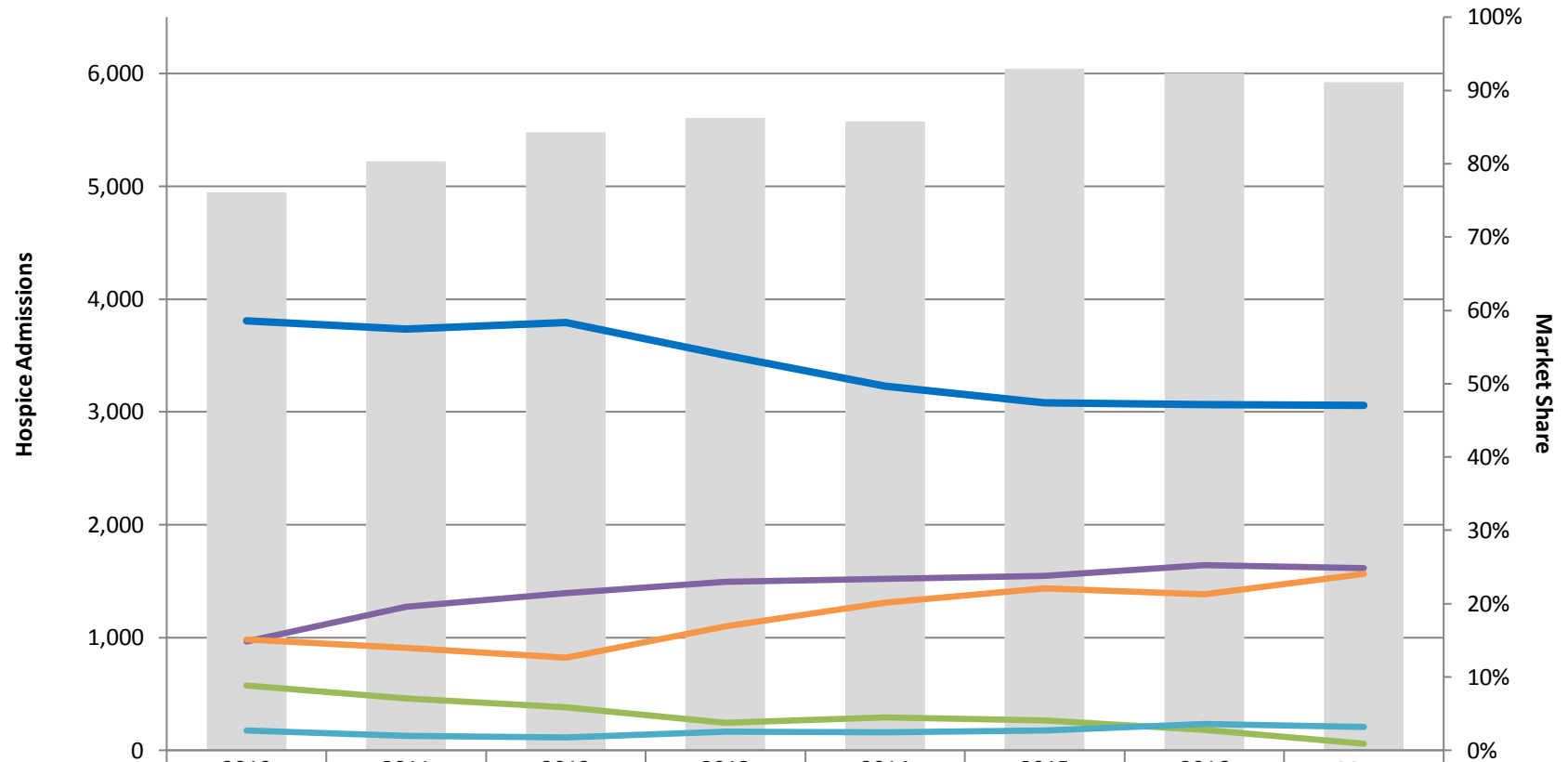
	Year-ended September 30, 2017	Year-ended September 30, 2016	Favorable (Unfavorable) Variance
Net patient service revenue	\$16,421	\$15,417	\$1,004
Operating expenses:			
Salaries and benefits	10,131	9,606	(525)
Purchased services	1,625	1,246	(379)
Supplies	1,952	2,005	53
Depreciation and amortization	915	722	(193)
Other	446	321	(125)
Total operating expenses	15,069	13,900	(1,169)
Excess of revenues over expenses	\$1,352	\$1,517	(\$165)
Benefit to Halifax Health:			
Excess of revenues over expense (above)	\$1,352	\$1,517	(\$165)
Cost allocations and management fee	1,132	1,009	123
Total benefit to Halifax Health	\$2,484	\$2,526	(\$42)

Live your life well.



**HALIFAX
HEALTH**

Hospice District 4B (Volusia/Flagler) Admissions & Market Share for the twelve months ended June 30



	2010	2011	2012	2013	2014	2015	2016	2017
Admissions	4,948	5,219	5,481	5,606	5,573	6,045	6,000	5,920
Halifax Health	58.6%	57.4%	58.3%	53.9%	49.6%	47.4%	47.1%	47.0%
Vitas	14.8%	19.6%	21.4%	23.0%	23.4%	23.8%	25.3%	24.8%
Florida Hospital	15.1%	13.9%	12.6%	16.9%	20.1%	22.1%	21.3%	24.1%
Kindred	8.8%	7.1%	5.9%	3.7%	4.5%	4.1%	2.8%	0.9%
Haven	2.7%	1.9%	1.8%	2.5%	2.4%	2.7%	3.6%	3.2%

Hospice District 4B (Volusia/Flagler)**Admissions & Market Share**

for the twelve months ended June 30

Market Share	2010	2011	2012	2013	2014	2015	2016	2017
Halifax Health	58.6%	57.4%	58.3%	53.9%	49.6%	47.4%	47.1%	47.0%
Florida Hospital	15.1%	13.9%	12.6%	16.9%	20.1%	22.1%	21.3%	24.1%
Haven	2.7%	1.9%	1.8%	2.5%	2.4%	2.7%	3.6%	3.2%
Kindred	8.8%	7.1%	5.9%	3.7%	4.5%	4.1%	2.8%	0.9%
Vitas	14.8%	19.6%	21.4%	23.0%	23.4%	23.8%	25.3%	24.8%

Admissions	2010	2011	2012	2013	2014	2015	2016	2017
Halifax Health	2,898	2,998	3,197	3,020	2,766	2,864	2,828	2,785
Florida Hospital	746	728	692	946	1,121	1,333	1,277	1,424
Haven	133	101	96	142	135	164	215	189
Kindred	437	370	321	208	248	245	165	53
Vitas	734	1,022	1,175	1,290	1,303	1,439	1,515	1,469
Total Admissions	4,948	5,219	5,481	5,606	5,573	6,045	6,000	5,920

RESOLUTION

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HALIFAX HOSPITAL MEDICAL CENTER AUTHORIZING THE ISSUANCE OF ITS HEALTH CARE FACILITIES REVENUE BONDS (HALIFAX MANAGEMENT SYSTEM, INC. PROJECT), SERIES 2018, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$115,000,000, FOR THE PURPOSE OF MAKING A LOAN TO HALIFAX MANAGEMENT SYSTEM, INC. OR ANOTHER NOT-FOR-PROFIT CORPORATION TO BE USED TO FINANCE THE ACQUISITION OF LEASEHOLD INTERESTS OR FEE TITLE IN CERTAIN LANDS LOCATED IN THE CITY OF DELTONA, FLORIDA AND THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF IMPROVEMENTS THEREON CONSTITUTING AN ACUTE CARE HOSPITAL; PROVIDING THAT SUCH REVENUE BONDS SHALL NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE HALIFAX HOSPITAL MEDICAL CENTER, THE CITY OF DELTONA, FLORIDA OR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES PROVIDED IN THE INDENTURE OF TRUST TO BE ENTERED INTO WITH U.S. BANK NATIONAL ASSOCIATION, OR OTHER CORPORATE TRUSTEE, PURSUANT TO WHICH SUCH REVENUE BONDS WILL BE ISSUED; PROVIDING FOR THE LOAN OF THE PROCEEDS OF SUCH REVENUE BONDS BY HALIFAX HOSPITAL MEDICAL CENTER TO HALIFAX MANAGEMENT SYSTEM, INC. OR ANOTHER NOT-FOR-PROFIT CORPORATION PURSUANT TO A LOAN AGREEMENT; PROVIDING FOR THE SECURING OF THE OBLIGATIONS OF HALIFAX MANAGEMENT SYSTEM, INC. OR SUCH OTHER CORPORATION UNDER THE LOAN AGREEMENT BY A MORTGAGE ON AND SECURITY INTEREST IN SUCH HOSPITAL FACILITIES AND OTHER HEALTHCARE FACILITIES; PROVIDING FOR A LEASING OF SUCH HOSPITAL FACILITIES TO HALIFAX HOSPITAL MEDICAL CENTER; PROVIDING CERTAIN FINDINGS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE; AND PROVIDING CERTAIN OTHER DETAILS IN CONNECTION THEREWITH.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HALIFAX HOSPITAL MEDICAL CENTER:

SECTION 1. AUTHORITY. This Resolution is adopted pursuant to Chapter 2003-374, Laws of Florida, Part I of Chapter 163, Florida Statutes, Chapter 189, Florida Statutes, the Constitution of the State of Florida, and other applicable provisions of law (collectively, the "Act").

SECTION 2. PROPOSAL. The State of Florida, Agency for Health Care Administration has issued a Certificate of Need, numbered 10429 to Halifax Hospital Medical Center, a special taxing District created and existing under Chapter 2003-374, Laws of Florida (the “District”) that permits the establishment of a new 96 licensed bed acute care hospital facility located within the Halifax Crossing Development, a mixed use medically focused development (the “Hospital”) within the city limits of the City of Deltona, Florida (the “City”). The District and the City duly entered into an Interlocal Agreement dated November 6, 2017 (the “Interlocal Agreement”) providing for the District, directly or by and through one or more subsidiary or affiliated corporations, to operate in the jurisdiction of the City to provide healthcare facilities and services, including financing, acquiring, constructing and operating the Hospital and other healthcare facilities. Halifax Management System, Inc. (“HMS”) is a Florida not-for-profit corporation created for the purpose of assisting the District in carrying out its public purpose in compliance with Chapter 617, Florida Statutes. HMS desires to finance, acquire and construct the Hospital and to lease the same to the District for operation by the District. The District, in its capacity as a conduit issuer (in such capacity, the “Issuer”), at the request of HMS, desires to issue its Halifax Hospital Medical Center Healthcare Facilities Revenue Bonds (Halifax Management System, Inc. Project), Series 2018 in an aggregate principal amount not to exceed \$115,000,000, in one or more series (the “Bonds”) to finance a loan to HMS, or other not-for-profit corporation formed to assist the District in carrying out its public purposes, (the “Borrower”) to finance the Hospital.

SECTION 3. FINDINGS AND DETERMINATIONS. The District, after due consideration of all facts and circumstances, has found and determined and does hereby declare that:

A. The Hospital is appropriate to the needs and circumstances of, and will serve a public purpose by preserving and advancing the public health, public good, and general welfare of the State and its people, including the residents of the District. The Hospital will serve a paramount public purpose of the City by providing needed healthcare facilities and services within the City and access to a modern, integrated healthcare delivery system to the residents and visitors of the City. The Hospital will also serve a paramount public purpose of the District by affording the benefits of economies of scale of a larger integrated healthcare system and increasing the revenue base and non-ad valorem revenues of the District to promote enhanced financial performance and stability and to better enable it to provide modern, integrated healthcare facilities and services available to the residents and visitors of the District and the State of Florida.

B. The conservation of financial resources is a legitimate public purpose of government. The District specifically finds that the construction, operation and maintenance of the Hospital in the City will conserve the District’s financial resources, is necessary and will serve a legitimate purpose of the District.

C. The District, which was originally created in 1925, for many years has maintained medical facilities, hospitals and other health care facilities and services outside its geographical boundaries when the District has deemed such facilities necessary and to serve a

legitimate purpose of the District. The District maintained such facilities when the Legislature re-codified the special acts creating the District with the adoption of Chapter 2003-374, Laws of Florida.

D. Pursuant to the Resolution adopted by the District on June 6, 2016, the District and the City entered into the Interlocal Agreement pursuant to section 163.01, Florida Statutes, on November 6, 2017. The City requested that the District enter into the Interlocal Agreement to address issues of mutual concern regarding the health care needs identified within the City and to provide health care services within the City's boundaries to meet those needs, including emergency and non-emergency primary care, a medical emergency receiving facility, and specialty physician services. The Hospital is intended and will address these needs. The City authorized the District to finance, acquire, construct and operate the Hospital within the City's boundaries.

E. Market competition disadvantages threaten the District's continued viability as a provider of medical services to the indigent, including the indigent population residing within the District's geographical boundaries. Without additional income streams and increased market competitiveness, the District projects an operating loss that will require it to curtail expenses and constrain resources invested on services that cannot be profitable, including the support of important safety net services currently provided to the medically indigent within the District's geographical boundaries. Furthermore, the Hospital is an expansion of the District's existing health care services system, will allow for a diversification of the District's funding sources that will allow for the reduction of the tax liability of property owners in the District's geographical boundaries, all enhancing the competitiveness of the District and which are expressly contemplated by the Act. The Hospital will thus allow the District to stay competitive with for profit hospitals and health care providers.

F. The Hospital will provide a more efficient, cost-effective delivery of services to patients residing in the City that are already seeking care at the District's existing facilities. For these and other reasons. AHCA agreed that the Hospital was necessary and issued the Certificate of Need.

G. The Hospital is an integral part of the viability of the District's provision of medical care to indigents regardless of their ability to pay. The Legislature has directed that the District provide indigent medical services.

H. The District and the City are able to cope satisfactorily with the impact of the Hospital and will be able to provide, or cause to be provided, the public facilities, including utilities and public services that will be necessary for the operation, repair and maintenance of the Hospital and on account of any increases in population or other circumstances resulting therefrom.

I. Adequate provision will be made in the documents to be subsequently authorized and approved by the District for a loan by the District, in its capacity as Issuer, to the

Borrower (the "Loan") to finance the acquisition, construction and installation of the Hospital, and provide for the operation, repair and maintenance of the Hospital and for the repayment by the Borrower of the loan in installments sufficient to pay the principal of and the interest on the Bonds and all costs and expenses relating to the Bonds in the amounts and at the times required.

J. The Borrower is financially responsible and is fully capable and willing to fulfill its obligations under the Promissory Note (the "Note") to be made by the Borrower in favor of the Issuer and the Loan Agreement (the "Agreement") to be entered into between the Borrower and the Issuer, each to be in form and substance authorized and approved by subsequent action of the District and to provide the obligation to repay the loan in installments in the amounts and at the times required and the obligation to provide for the operation, repair and maintenance the Hospital. The payments to be made by the Borrower to the Issuer and the other security provided by the Agreement, the Note, the Mortgage (or Agreement Not to Encumber, as the case may be), the Assignment of Rents and Leases and the Indenture, as those terms are hereinafter defined, will be adequate for the security of the Bonds, and the proposed or issuance of the Bonds otherwise complies with all of the provisions of the Act and all requirements of the Issuer for the issuance of the Bonds.

K. The Issuer is not obligated to pay the Bonds except from the proceeds derived from the repayment by the Borrower of the Loan, or from the other security pledged therefor by the Borrower, and neither the faith and credit nor the taxing power of the Issuer, the City, the State of Florida or any political subdivision thereof will be pledged or obligated in any manner to the payment of the principal of, premium, if any, or the interest on the Bonds or for the operation and maintenance of the Hospital.

L. The Issuer and the Borrower will concurrently with the issuance of the Bonds execute the documentation required for the financing of the Hospital as contemplated hereby.

SECTION 4. AUTHORIZATION OF BONDS. For the purpose of financing the Hospital, subject and pursuant to the provisions hereof, the issuance of revenue bonds of the Issuer under the authority of the Act is hereby authorized. Such bonds shall be designated "Health Care Facilities Revenue Bonds (Halifax Management System, Inc. Project), Series 2018" (provided; however, that if HMS is not the Borrower, or if the Bonds are not issued in calendar year 2018 or if the Bonds are issued in more than one series, such designation shall be revised accordingly), shall be issued in one or more series in an aggregate principal amount of not to exceed \$115,000,000, subject to payment as shall be provided in the Indenture of Trust to be entered into by and between the Issuer and the Trustee thereunder, the form of which shall be authorized and approved by subsequent action of the Issuer (the "Indenture").

The Bonds shall be dated such date, shall bear interest at such rate or rates, not to exceed the maximum rate of interest permitted by applicable law, shall be payable or shall mature on such date or dates, shall be issued in such denominations, shall be subject to redemption at such time or times, and upon such terms and conditions, shall be payable at the place or places and in the manner, shall be executed, authenticated and delivered, shall otherwise be in such form, and subject to such terms and conditions and may be issued in such lesser aggregate principal amount, all as shall be provided in the Indenture.

The Bonds and the premium, if any, and the interest thereon shall not constitute a general debt, liability or obligation of the Issuer, the City or of the State of Florida or of any political subdivision thereof, or a pledge of the faith and credit of the Issuer, the City or of the State of Florida or of any political subdivision thereof, but shall be payable solely from the revenues provided therefor pursuant to the Indenture, and the Issuer shall not be obligated to pay the Bonds or the interest thereon except from the revenues and proceeds pledged therefor, and neither the faith and credit or taxing power of the Issuer, the City, State of Florida or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds.

The Indenture shall be authorized and approved by subsequent action of the Issuer. The Indenture shall be entered into between the Issuer and U.S. Bank, National Association, or other corporate trustee designated by the Issuer (the "Trustee"). The Indenture shall provide for the deposit of the proceeds of the Bonds with the Trustee and requirements for disbursement by the Trustee and certification by the Trustee of the proper expenditure of the proceeds of the Bonds.

SECTION 5. AUTHORIZATION OF AGREEMENT AND NOTE. As authorized by and in conformity with the Act, it is desirable and in the public interest that the Issuer loan funds to the Borrower to be used to pay all or a portion of the cost of acquisition, construction and installation of the Hospital, such loan to be evidenced by the Note of the Borrower and to be made pursuant to the Agreement between the Issuer and the Borrower, both to be in form and substance authorized and approved by subsequent action of the Issuer. Certain rights of the Issuer under the Note and the Agreement shall be assigned by the Issuer to the Trustee to provide for and as security for the payment of the Bonds.

SECTION 6. AUTHORIZATION OF MORTGAGE AND ASSIGNMENT OF RENTS AND LEASES. To provide collateral security for the payment of the Bonds, the Borrower shall mortgage its leasehold or fee interest in the real property upon which the Hospital is to be built (the "Project Site") and in certain other facilities owned by the Borrower and grant a security interest in the Hospital and such other facilities pursuant to a Mortgage, Security Agreement and Fixture Filing and a UCC Financing Statement from the Borrower, as mortgagor, to the Issuer, as mortgagee (the "Mortgage") and the Assignment of Rents and Leases from the Borrower to the Trustee, (the "Assignment of Rents and Leases"), both to be in form and substance authorized and approved by subsequent action of the Issuer. Alternatively, if acceptable to the purchaser of the Bonds, the Borrower may provide an Agreement Not To Encumber, in form and substance approved by subsequent action of the Issuer (the "Agreement Not To Encumber"), providing that

it shall not encumber or grant a mortgage on or security interest in the Hospital and the Project Site and such other facilities.

SECTION 7. APPROVAL OF ASSIGNMENT OF MORTGAGE. To evidence the assignment of the Issuer's interests under the Mortgage (or the Agreement Not to Encumber, as the case may be) by the Issuer to the Trustee, the Issuer shall execute an Assignment of Mortgage, in the form and substance to be approved by subsequent action of the Issuer.

SECTION 8. MASTER OFFICE BUILDING LEASE. The District, in its capacity as lessee (in such capacity, the "Tenant") of the Hospital shall enter into a Master Office Building Lease (the "Master Lease") with the Borrower as landlord (in such capacity the "Landlord"). The Master Lease shall be in such form and substance as shall be authorized and approved by subsequent action of the District. The obligations of the District as Tenant under the Master Lease shall be limited obligations of the District, either subject to the annual appropriation by the District of non-ad valorem revenues of the District sufficient to make rental payments under the Master Lease and continue the terms of the Master Lease, or payable and secured by a pledge of and lien on non-ad valorem revenues of the District available after making payments required under the Master Trust Indenture dated as of June 1, 2006 between the District and H. H. Holdings, Inc., as the current Members of the Obligated Group, and Wells Fargo Bank, National Association, as Master Trustee, as supplemented and amended (the "Obligated Group Master Indenture"). In either event, the obligations of the District, as Tenant under the Master Lease, shall be junior and subordinate to its obligations and the pledge and lien created under the Obligated Group Master Indenture. The obligations of the District, as Tenant under the Master Lease shall be payable solely from legally available non-ad valorem revenues of the District and shall not be a general debt, liability or obligation of the District and neither the full faith and credit nor the taxing power of the District shall be pledged or obligated thereto. In no event shall the Landlord, the Trustee or assignee or any other person have the right to compel the exercise of the ad valorem taxing power of the District to make payments due under the Master Lease.

SECTION 9. NO AD VALOREM TAXATION. The District is not authorized or required and shall not expend any ad valorem tax revenues generated by the exercise of the ad valorem taxing power of the District within the District to pay or finance any cost of acquisition, construction, development, installation, leasing, operation, maintenance or repair of the Hospital. Such amounts shall be payable solely from the revenues of the Borrower or legally available non-ad valorem revenues of the District, as the case may be, and the documents to be entered into pertaining to the Bonds and the Hospital shall so provide. In no event shall the District levy any ad valorem taxes on the residents of the District, or expend the proceeds thereof, to pay any cost of or relating to the acquisition, construction, development, installation, leasing, operation, maintenance or repair of the Hospital and it may not be compelled by any person to do so.

SECTION 10. AUTHORIZATION OF VALIDATION.The General Counsel of the District and Bryant Miller Olive P.A., Bond Counsel to the District, are hereby authorized to validate the Bonds and the security therefor, the Interlocal Agreement, and all other matters related to the Bonds, in accordance with Chapter 75, Florida Statutes.

SECTION 11. SEVERABILITY. In the event any one or more of the provisions of this Resolution shall for any reason be held to be illegal or invalid by a court of competent jurisdiction, such illegality or invalidity shall not affect any other provisions of this Resolution, and this Resolution shall be construed and enforced as if such illegal or invalid provision had not been contained herein. This Resolution is adopted and the Indenture, the Agreement, the Note, the Mortgage, the Assignment of Leases and Rents and the Master Lease shall be executed, and the Bonds shall be issued, with the intent that the laws of the State of Florida shall govern their construction, except as shall otherwise be expressly provided by the terms thereof.

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SECTION 12. EFFECTIVE DATE. This Resolution shall become effective immediately upon its passage.

PASSED AND ADOPTED in public session of the Halifax Hospital Medical Center this ____ day of January, 2018.

HALIFAX HOSPITAL MEDICAL CENTER

(SEAL)

By: _____
Chairman

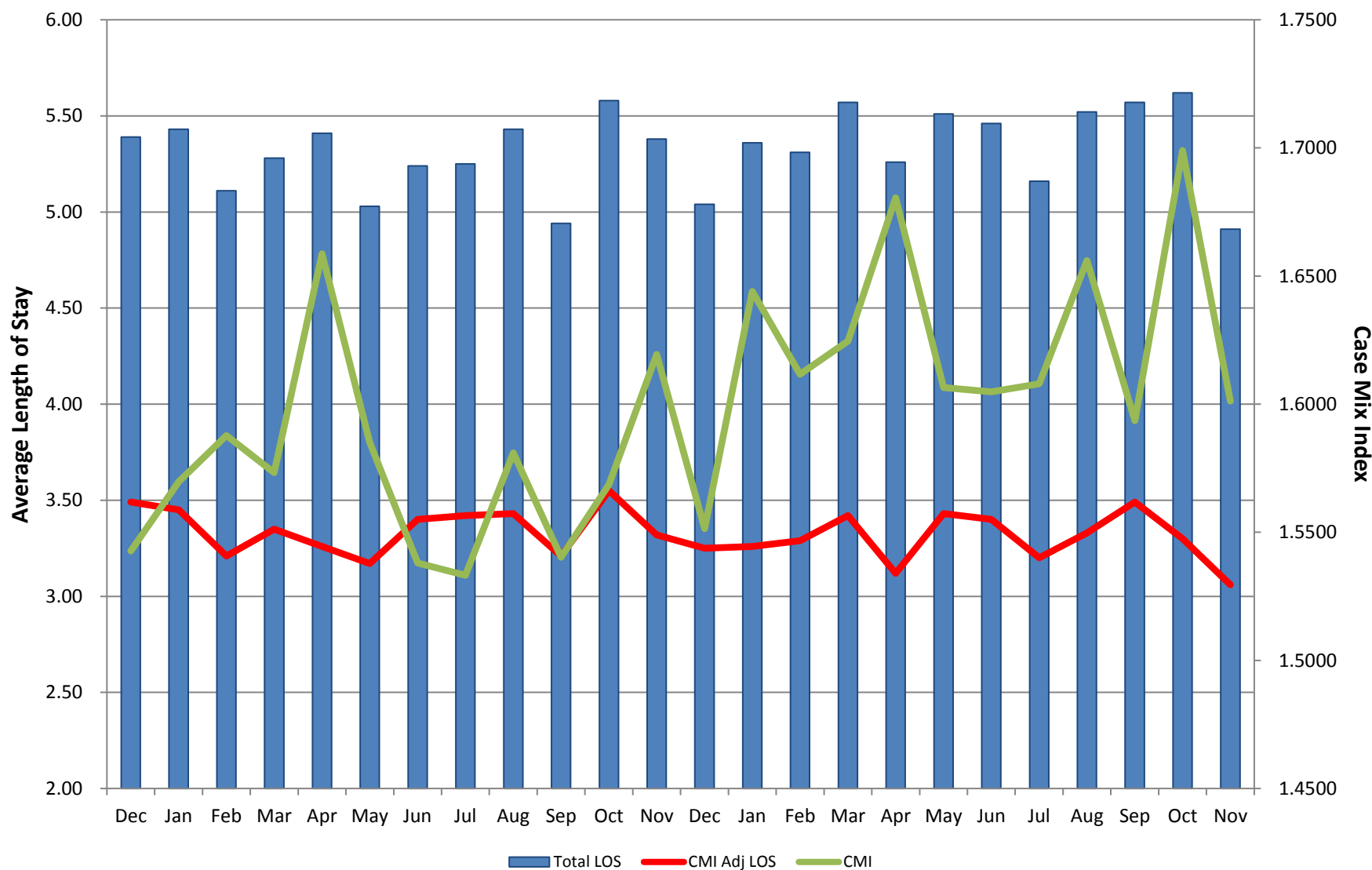
ATTEST:

Secretary

Discharged Based - Average Length of Stay and Case Mix Index

24 Months Ended November 30, 2017

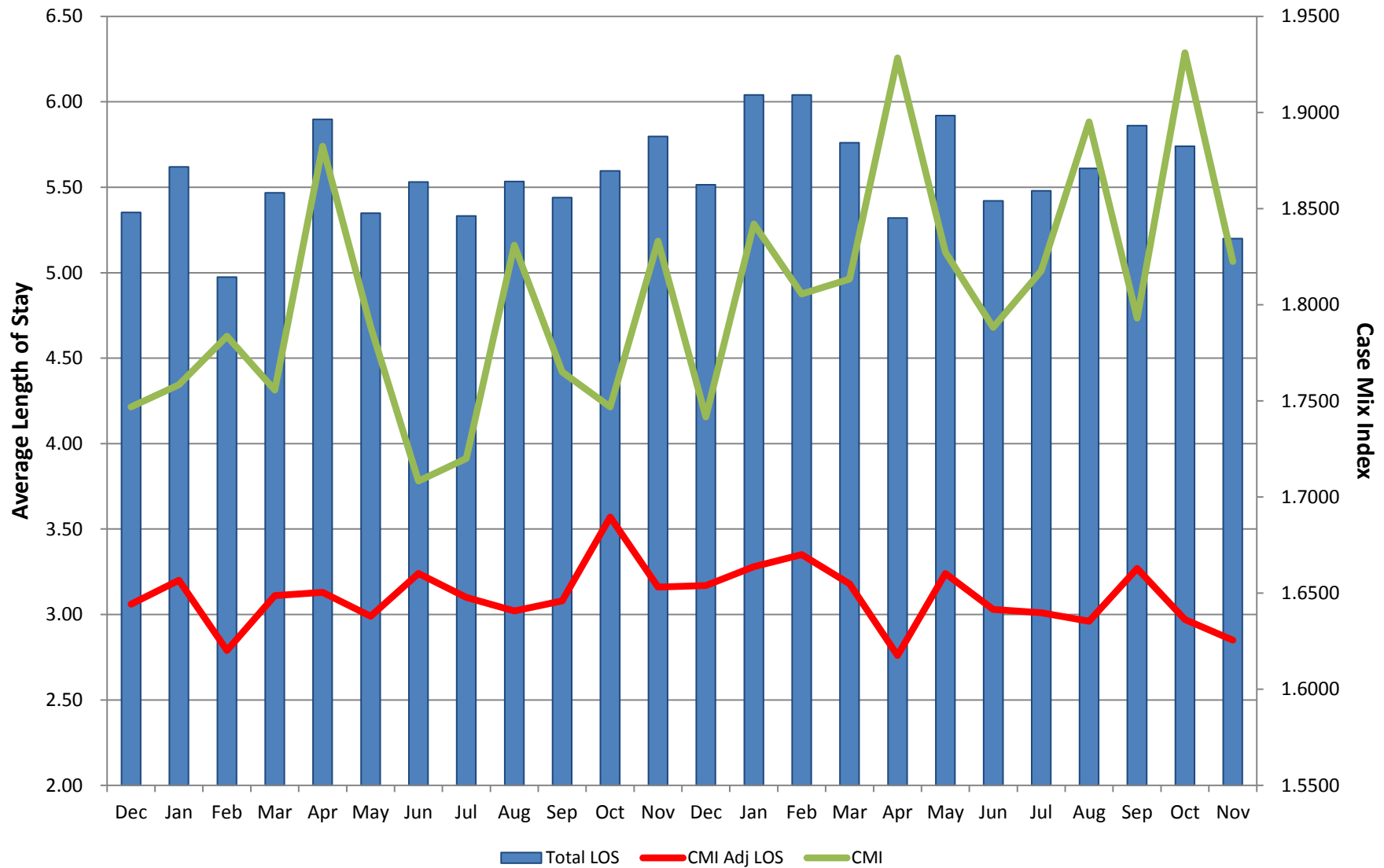
Excludes Newborns and Inpatient Rehabilitation



Discharged Based - Average Length of Stay and Case Mix Index

24 Months Ended November 30, 2017

Excludes Newborns, OB, Psych, and Inpatient Rehabilitation



Halifax Health
Investment Manager Performance Report - through November 30, 2017

		November Performance	Calendar YTD	Calendar 2016	Fiscal Year
Fixed Income					
VFSIX - Vangaurd Short-Term Investment Gr.	Perf	-0.12%	2.15%	2.85%	0.04%
	BMK	-0.29%	1.24%	1.56%	-0.33%
VSGDX - Vanguard Short-Term Federal	Perf	-0.25%	0.76%	1.24%	-0.22%
	BMK	-0.29%	0.70%	1.02%	-0.39%
Ponder Short-term Government/Corporate	Perf	-0.15%	1.60%	1.95%	-0.09%
	BMK	-0.29%	1.24%	1.56%	-0.33%
Ponder US Treasury Account	Perf	0.06%	0.74%	0.30%	0.12%
	BMK	-0.29%	0.70%	-0.44%	-0.39%
Ponder Short-Term Government	Perf	-0.09%	1.12%	0.88%	-0.07%
	BMK	-0.29%	0.70%	1.02%	-0.39%
Weighted Composite	Perf	-0.09%	1.73%	1.99%	0.03%
	BMK	-0.29%	1.08%	1.07%	-0.35%
Equities					
DFSVX - DFA Small Cap Value	Perf	2.12%	7.18%	28.26%	3.10%
	BMK	2.89%	8.88%	31.74%	3.02%
DFLVX - DFA Large Cap Value	Perf	2.22%	18.07%	18.89%	3.87%
	BMK	2.25%	18.18%	17.34%	3.62%
DFIVX - DFA International Value	Perf	0.95%	22.89%	8.41%	2.76%
	BMK	1.01%	22.01%	2.75%	2.39%
DFEVX - DFA Emerging Markets	Perf	0.49%	28.99%	19.84%	4.06%
	BMK	0.20%	32.53%	11.19%	3.72%
VGELX - Vanguard Energy	Perf	1.52%	-0.63%	33.18%	2.43%
	BMK	1.09%	2.01%	27.66%	2.05%
VENAX - Vanguard Energy Index	Perf	2.12%	-7.24%	28.94%	1.14%
	BMK	1.09%	2.01%	27.66%	2.05%
VIGIX -Vanguard Large-Cap Growth	Perf	2.52%	26.89%	6.13%	5.46%
	BMK	3.04%	29.21%	7.08%	7.03%
VGHAX - Vanguard Health Care	Perf	2.09%	19.43%	-8.94%	0.36%
	BMK	2.25%	19.97%	-6.83%	1.12%
VSGIX - Vanguard Small-Cap Growth	Perf	3.02%	21.60%	10.74%	5.46%
	BMK	2.87%	22.03%	11.32%	4.46%
Weighted Composite	Perf	2.22%	18.07%	15.17%	3.87%
	BMK	2.25%	18.18%	13.82%	3.62%

Halifax Health
Investment Manager Performance Report - through November 30, 2017

	Invested Balance	November Performance	Calendar YTD	Fiscal YTD
HH Holdings				
VFSIX - Vanguard Short-Term Invest Grade	\$ 53,721,069	Perf -0.12% BMK -0.29%	2.15% 1.24%	0.04% -0.33%
Ponder Short-Term Gov't/Corporate	32,150,113	Perf -0.15% BMK -0.29%	1.60% 1.24%	-0.09% -0.33%
Ponder US Treasury Account	73,792,762	Perf 0.06% BMK -0.29%	0.74% 0.70%	0.12% -0.39%
Total HH Holdings	<u><u>\$ 159,663,944</u></u>	Composite Budget	-0.04% 1.39%	0.05% 0.17%
HHMC				
Ponder Short-Term Government	\$ 42,386,480	Perf -0.09% BMK -0.29%	1.12% 0.70%	-0.07% -0.39%
VSGDX - Vanguard Short-Term Federal	64,486	Perf -0.25% BMK -0.29%	0.76% 0.70%	-0.22% -0.39%
Wells Fargo Halifax Hospital Trust	542,096	Perf 0.08% BMK -0.29%	0.65% 0.70%	0.16% -0.39%
Total HHMC	<u><u>\$ 42,993,062</u></u>	Composite Budget	0.09% 1.11%	-0.07% 0.17%

Halifax Health
Investment Manager Performance Report - through November 30, 2017

	Invested Balance	November Performance	Calendar YTD	Fiscal YTD
Foundation				
VFSIX - Vanguard Short-Term Invest Grade	\$ 23,052,876	Perf -0.12% BMK -0.29%	2.15% 1.24%	0.04% -0.33%
DFSVX - DFA Small Cap Value	3,883,575	Perf 2.12% BMK 2.89%	7.18% 8.88%	3.10% 3.02%
DFIVX - DFA International Value	2,043,004	Perf 0.95% BMK 1.01%	22.89% 22.01%	2.76% 2.39%
DFEVX - DFA Emerging Markets	815,295	Perf 0.49% BMK 0.20%	28.99% 32.53%	4.06% 3.72%
DFLVX - DFA Large Cap Value	8,649,443	Perf 3.55% BMK 3.06%	16.28% 12.03%	5.04% 3.81%
VGELX - Vanguard Energy	487,556	Perf 1.52% BMK 1.09%	-0.63% 2.01%	2.43% 2.05%
VENAX - Vanguard Energy Index	216,947	Perf 2.12% BMK 1.09%	-7.24% 2.01%	1.14% 2.05%
VIGIX -Vanguard Large-Cap Growth	4,421,980	Perf 2.52% BMK 3.04%	26.89% 29.21%	5.46% 7.03%
VGHAX - Vanguard Health Care	748,141	Perf 2.09% BMK 2.25%	19.43% 19.97%	0.36% 1.12%
VSGIX - Vanguard Small-Cap Growth	4,172,943	Perf 3.02% BMK 2.87%	21.60% 22.03%	5.46% 4.46%
Total Foundation	<u>\$ 48,491,760</u>	Composite Budget	1.34% 10.52%	2.35% 0.58%

Halifax Health
Investment Manager Performance Report - through November 30, 2017

	Invested Balance	November Performance	Calendar YTD	Fiscal YTD
Hospice				
VFSIX - Vanguard Short-Term Invest Grade	\$ 34,177,235	Perf -0.12% BMK -0.29%	2.15% 1.24%	0.04% -0.33%
DFSVX - DFA Small Cap Value	6,033,856	Perf 2.12% BMK 2.89%	7.18% 8.88%	3.10% 3.02%
DFIVX - DFA International Value	3,557,976	Perf 0.95% BMK 1.01%	22.89% 22.01%	2.76% 2.39%
DFEVX - DFA Emerging Markets	1,457,053	Perf 0.49% BMK 0.20%	28.99% 32.53%	4.06% 3.72%
DFLVX - DFA Large Cap Value	12,255,293	Perf 3.55% BMK 3.06%	16.28% 12.03%	5.04% 3.81%
VGELX - Vanguard Energy	107,735	Perf 1.52% BMK 1.09%	-0.63% 2.01%	2.43% 2.05%
VENAX - Vanguard Energy Index	578,236	Perf 2.12% BMK 1.09%	-7.24% 2.01%	1.14% 2.05%
VIGIX - Vanguard Large-Cap Growth	5,920,616	Perf 2.52% BMK 3.04%	26.89% 29.21%	5.46% 7.03%
VGHAX - Vanguard Health Care	650,535	Perf 2.09% BMK 2.25%	19.43% 19.97%	0.36% 1.12%
VSGIX - Vanguard Small-Cap Growth	5,814,525	Perf 3.02% BMK 2.87%	21.60% 22.03%	5.46% 4.46%
Total Hospice	<u>\$ 70,553,060</u>	Composite Budget	10.39%	2.31% 0.58%

Halifax Health
Investment Manager Performance Report - through November 30, 2017

	Invested Balance	November Performance	Calendar YTD	Fiscal YTD
Pension				
VFSIX - Vanguard Short-Term Invest Grade	\$ 132,247,922	Perf -0.12% BMK -0.29%	2.15% 1.24%	0.04% -0.33%
DFSVX - DFA Small Cap Value	22,165,725	Perf 2.12% BMK 2.89%	7.18% 8.88%	3.10% 3.02%
DFIVX - DFA International Value	34,915,246	Perf 0.95% BMK 1.01%	22.89% 22.01%	2.76% 2.39%
DFEVX - DFA Emerging Markets	11,623,527	Perf 0.49% BMK 0.20%	28.99% 32.53%	4.06% 3.72%
DFLVX - DFA Large Cap Value	22,480,301	Perf 3.55% BMK 3.06%	16.28% 12.03%	5.04% 3.81%
VGELX - Vanguard Energy	4,495,883	Perf 1.52% BMK 1.09%	-0.63% 2.01%	2.43% 2.05%
VENAX - Vanguard Energy Index	4,831,743	Perf 2.12% BMK 1.09%	-7.24% 2.01%	1.14% 2.05%
VIGIX - Vanguard Large-Cap Growth	14,264,017	Perf 2.52% BMK 3.04%	26.89% 29.21%	5.46% 7.03%
VGHAX - Vanguard Health Care	9,483,180	Perf 2.09% BMK 2.25%	19.43% 19.97%	0.36% 1.12%
VSGIX - Vanguard Small-Cap Growth	14,294,886	Perf 3.02% BMK 2.87%	21.60% 22.03%	5.46% 4.46%
Wells Fargo Cash	16,923,515			
Wells Fargo Money Market	1,985			
Total Pension	<u>\$ 287,727,930</u>	Composite 0.92% Budget	9.68%	1.76% 1.13%
Total Halifax Health, including Pension	<u>\$ 609,429,756</u>			
Total Halifax Health, excluding Pension	<u>\$ 321,701,826</u>			

Halifax Health
Investment Manager Performance Report - through October 31, 2017

		October Performance	Calendar YTD	Calendar 2016	Fiscal Year
Fixed Income					
VFSIX - Vangaurd Short-Term Investment Gr.	Perf	0.16%	2.37%	2.85%	0.16%
	BMK	-0.04%	1.54%	1.56%	-0.04%
VSGDX - Vanguard Short-Term Federal	Perf	0.03%	1.02%	1.24%	0.03%
	BMK	-0.10%	0.99%	1.02%	-0.10%
Ponder Short-term Government/Corporate	Perf	0.06%	1.75%	1.95%	0.06%
	BMK	-0.04%	1.54%	1.56%	-0.04%
Ponder US Treasury Account	Perf	0.06%	0.68%	0.30%	0.06%
	BMK	-0.10%	0.99%	-0.44%	-0.10%
Ponder Short-Term Government	Perf	0.02%	1.12%	0.88%	0.02%
	BMK	-0.10%	0.99%	1.02%	-0.10%
Weighted Composite	Perf	0.12%	1.87%	1.99%	0.12%
	BMK	-0.06%	1.38%	1.07%	-0.06%
Equities					
DFSVX - DFA Small Cap Value	Perf	0.96%	4.95%	28.26%	0.96%
	BMK	0.13%	5.81%	31.74%	0.13%
DFLVX - DFA Large Cap Value	Perf	1.44%	12.29%	18.89%	1.44%
	BMK	0.73%	8.70%	17.34%	0.73%
DFIVX - DFA International Value	Perf	1.79%	21.73%	8.41%	1.79%
	BMK	1.37%	20.79%	2.75%	1.37%
DFEVX - DFA Emerging Markets	Perf	3.55%	28.36%	19.84%	3.55%
	BMK	3.51%	32.26%	11.19%	3.51%
VGELX - Vanguard Energy	Perf	0.90%	-2.12%	33.18%	0.90%
	BMK	0.95%	0.91%	27.66%	0.95%
VENAX - Vanguard Energy Index	Perf	-0.96%	-9.17%	28.94%	-0.96%
	BMK	0.95%	0.91%	27.66%	0.95%
VIGIX -Vanguard Large-Cap Growth	Perf	2.87%	23.77%	6.13%	2.87%
	BMK	3.87%	25.40%	7.08%	3.87%
VGHAX - Vanguard Health Care	Perf	-1.69%	16.99%	-8.94%	-1.69%
	BMK	-1.11%	17.32%	-6.83%	-1.11%
VSGIX - Vanguard Small-Cap Growth	Perf	2.37%	18.03%	10.74%	2.37%
	BMK	1.55%	18.62%	11.32%	1.55%
Weighted Composite	Perf	1.62%	15.56%	15.17%	1.62%
	BMK	1.36%	15.66%	13.82%	1.36%

Halifax Health
Investment Manager Performance Report - through October 31, 2017

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
HH Holdings				
VFSIX - Vanguard Short-Term Invest Grade	\$ 53,834,797	Perf 0.16% BMK -0.04%	2.37% 1.54%	0.16% -0.04%
Ponder Short-Term Gov't/Corporate	32,205,357	Perf 0.06% BMK -0.04%	1.75% 1.54%	0.06% -0.04%
Ponder US Treasury Account	73,749,756	Perf 0.06% BMK -0.10%	0.68% 0.99%	0.06% -0.10%
Total HH Holdings	<u><u>\$ 159,789,910</u></u>	Composite Budget	0.09% 1.47%	0.09% 0.08%
HHMC				
Ponder Short-Term Government	\$ 42,426,305	Perf 0.02% BMK -0.10%	1.12% 0.99%	0.02% -0.10%
VSGDX - Vanguard Short-Term Federal	64,649	Perf 0.03% BMK -0.10%	1.02% 0.99%	0.03% -0.10%
Wells Fargo Halifax Hospital Trust	546,682	Perf 0.08% BMK -0.10%	0.57% 0.99%	0.08% -0.10%
Total HHMC	<u><u>\$ 43,037,636</u></u>	Composite Budget	0.02% 1.11%	0.02% 0.08%

Halifax Health
Investment Manager Performance Report - through October 31, 2017

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
Foundation				
VFSIX - Vanguard Short-Term Invest Grade	\$ 23,101,679	Perf 0.16% BMK -0.04%	2.37% 1.54%	0.16% -0.04%
DFSVX - DFA Small Cap Value	3,802,789	Perf 0.96% BMK 0.13%	4.95% 5.81%	0.96% 0.13%
DFIVX - DFA International Value	2,023,721	Perf 1.79% BMK 1.37%	21.73% 20.79%	1.79% 1.37%
DFEVX - DFA Emerging Markets	811,282	Perf 3.55% BMK 3.51%	28.36% 32.26%	3.55% 3.51%
DFLVX - DFA Large Cap Value	8,352,669	Perf 1.44% BMK 0.73%	12.29% 8.70%	1.44% 0.73%
VGELX - Vanguard Energy	480,243	Perf 0.90% BMK 0.95%	-2.12% 0.91%	0.90% 0.95%
VENAX - Vanguard Energy Index	212,448	Perf -0.96% BMK 0.95%	-9.17% 0.91%	-0.96% 0.95%
VIGIX -Vanguard Large-Cap Growth	4,313,379	Perf 2.87% BMK 3.87%	23.77% 25.40%	2.87% 3.87%
VGHAX - Vanguard Health Care	732,853	Perf -1.69% BMK -1.11%	16.99% 17.32%	-1.69% -1.11%
VSGIX - Vanguard Small-Cap Growth	4,050,481	Perf 2.37% BMK 1.55%	18.03% 18.62%	2.37% 1.55%
Total Foundation	<u>\$ 47,881,544</u>	Composite Budget	0.98% 8.94%	0.98% 0.29%

Halifax Health
Investment Manager Performance Report - through October 31, 2017

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
Hospice				
VFSIX - Vanguard Short-Term Invest Grade	\$ 34,249,588	Perf 0.16% BMK -0.04%	2.37% 1.54%	0.16% -0.04%
DFSVX - DFA Small Cap Value	5,908,340	Perf 0.96% BMK 0.13%	4.95% 5.81%	0.96% 0.13%
DFIVX - DFA International Value	3,524,394	Perf 1.79% BMK 1.37%	21.73% 20.79%	1.79% 1.37%
DFEVX - DFA Emerging Markets	1,449,880	Perf 3.55% BMK 3.51%	28.36% 32.26%	3.55% 3.51%
DFLVX - DFA Large Cap Value	11,834,798	Perf 1.44% BMK 0.73%	12.29% 8.70%	1.44% 0.73%
VGELX - Vanguard Energy	106,119	Perf 0.90% BMK 0.95%	-2.12% 0.91%	0.90% 0.95%
VENAX - Vanguard Energy Index	566,246	Perf -0.96% BMK 0.95%	-9.17% 0.91%	-0.96% 0.95%
VIGIX - Vanguard Large-Cap Growth	5,775,209	Perf 2.87% BMK 3.87%	23.77% 25.40%	2.87% 3.87%
VGHAX - Vanguard Health Care	637,241	Perf -1.69% BMK -1.11%	16.99% 17.32%	-1.69% -1.11%
VSGIX - Vanguard Small-Cap Growth	5,643,887	Perf 2.37% BMK 1.55%	18.03% 18.62%	2.37% 1.55%
Total Hospice	<u>\$ 69,695,702</u>	Composite Budget	0.98% 8.87%	0.98% 0.29%

Halifax Health
Investment Manager Performance Report - through October 31, 2017

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
Pension				
VFSIX - Vanguard Short-Term Invest Grade	\$ 132,527,891	Perf 0.16% BMK -0.04%	2.37% 1.54%	0.16% -0.04%
DFSVX - DFA Small Cap Value	21,704,634	Perf 0.96% BMK 0.13%	4.95% 5.81%	0.96% 0.13%
DFIVX - DFA International Value	34,585,693	Perf 1.79% BMK 1.37%	21.73% 20.79%	1.79% 1.37%
DFEVX - DFA Emerging Markets	11,566,306	Perf 3.55% BMK 3.51%	28.36% 32.26%	3.55% 3.51%
DFLVX - DFA Large Cap Value	21,708,973	Perf 1.44% BMK 0.73%	12.29% 8.70%	1.44% 0.73%
VGELX - Vanguard Energy	4,428,445	Perf 0.90% BMK 0.95%	-2.12% 0.91%	0.90% 0.95%
VENAX - Vanguard Energy Index	4,731,550	Perf -0.96% BMK 0.95%	-9.17% 0.91%	-0.96% 0.95%
VIGIX - Vanguard Large-Cap Growth	13,913,701	Perf 2.87% BMK 3.87%	23.77% 25.40%	2.87% 3.87%
VGHAX - Vanguard Health Care	9,289,389	Perf -1.69% BMK -1.11%	16.99% 17.32%	-1.69% -1.11%
VSGIX - Vanguard Small-Cap Growth	13,875,376	Perf 2.37% BMK 1.55%	18.03% 18.62%	2.37% 1.55%
Wells Fargo Cash	18,728,732			
Wells Fargo Money Market	1,984			
Total Pension	<u>\$ 287,062,674</u>	Composite 0.81% Budget	8.55%	0.81% 0.56%
Total Halifax Health, including Pension	<u><u>\$ 607,467,466</u></u>			
Total Halifax Health, excluding Pension	<u><u>\$ 320,404,792</u></u>			

INFORMATIONAL REPORT

January 3, 2018

Capital Expenditures \$25,000 -- \$50,000

DESCRIPTION	DEPARTMENT	SOURCE OF FUNDS	TOTAL
Access Control for Cardiac Intermediate Care Oncology	Cardiac Intermediate Care (CIC) Oncology	Working Capital	\$48,000
Microdebridors	Surgical Services	Working Capital	\$46,126
Hemostasis Analyzers	Surgical Services	Working Capital	\$45,380
EMG/Nerve Conducting Ultrasound Unit	Halifax Health/Brooks Rehabilitation Physician Practice	Working Capital	\$26,876
Bladder Scanners	Nursing Administration	Working Capital	\$25,245

Operating Leases \$50,000 -- \$250,000

DESCRIPTION	DEPARTMENT	REPLACEMENT Y/N	LEASE TERMS	INTEREST RATE	MONTHLY PAYMENT



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Mark Billings, Executive Vice President and Chief Operating Officer
CC: Catherine Luchsinger, RN, Chief Nursing Officer
Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: December 14, 2017
RE: Access Control for Cardiac Intermediate Care Oncology

Halifax Health Cardiac Intermediate Care (CIC) Oncology is requesting funds to purchase and install two doors with access control badge readers.

The access control doors will limit traffic on the 2-Central Oncology Unit in the Fountain Building. The limited access will help to provide patient privacy and maintain infection control for oncology patients who are immunocompromised.

The project was approved at the Capital Investment Committee meeting on November 15, 2017.

TOTAL CAPITAL COSTS \$48,000



Halifax Health Project Evaluation

Access Control for Cardiac Intermediate Care Oncology Unit

Chief Operating Officer:	Mark Billings
Vice President, Operations:	Alberto Tineo
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project will install access control doors with badge readers to limit traffic, provide patient privacy, and maintain infection control for patients who are immunocompromised.

Strategic Plan Core Competency Achievement:

Physician Integration	
Care Coordination	X
Cost Management	
Information Technology	
Service Distribution	
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:

Safety	X
Compassion	
Image	X
Efficiency	

Investment Request for Approval **\$48,000**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Mark Billings, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Matt Petkus, Vice President Surgical Services
DATE: November 14, 2017
RE: Microdebriders

Halifax Health Surgical Services is requesting funds to purchase two microdebrider units for ear, nose and throat (ENT) surgeries. The new units will replace equipment located at the Main and Port Orange campuses. The current equipment is more than ten years old and no longer supported by the manufacturer.

The microdebrider is used in powered endoscopic sinus surgery (PESS). The PESS procedure is the standard of care for sinus surgery.

The project was approved at the Capital Investment Committee meeting on October 18, 2017.

TOTAL CAPITAL COSTS \$46,126



Halifax Health Project Evaluation

Microdebridors

Chief Operating Officer:	Mark Billings
Vice President, Surgical Services:	Matt Petkus
Director, Surgical Services:	Deborah Moore
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project is to purchase two (2) microdebrider units used in ear, nose, and throat (ENT) surgery.
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Strategic Plan Core Competency Achievement:

Physician Integration					
Care Coordination	X				
Cost Management					
Information Technology					
Service Distribution	X				
Financial Position					
Scale					
Managed Care Contracting					
Competitive Position					

Cornerstone:

Safety	X
Compassion	X
Image	
Efficiency	

Investment Request for Approval **\$46,126**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Mark Billings, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Matt Petkus, Vice President Surgical Services
DATE: November 14, 2017
RE: Hemostasis Analyzers

Halifax Health Surgical Services is requesting funds to purchase two hemostasis analyzers used during cardiovascular surgeries. These devices are used by the perfusionists to monitor blood levels.

The current analyzers are seventeen years old and are no longer supported by the manufacturer.

The project was approved at the Capital Investment Committee meeting on October 18, 2017.

TOTAL CAPITAL COSTS \$45,380



Halifax Health Project Evaluation

Hemostasis Analyzers

Chief Operating Officer:	Mark Billings
Vice President, Surgical Services:	Matt Petkus
Director, Surgical Services:	Deborah Moore
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project is to purchase two (2) hemostasis analyzers used in cardiovascular surgery.

Strategic Plan Core Competency Achievement:

Physician Integration	
Care Coordination	X
Cost Management	
Information Technology	
Service Distribution	X
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:

Safety	X
Compassion	
Image	
Efficiency	

Investment Request for Approval \$45,380

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Mark Billings, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Alberto Tineo, Senior Vice President, Operations
DATE: November 14, 2017
RE: EMG/Nerve Conducting Ultrasound Unit

Halifax Health/Brooks Rehabilitation Physician Practice is requesting funds to obtain a multifunctional electromyography (EMG)/nerve conduction velocity (NCV)/ultrasound unit. The equipment is used primarily in the outpatient rehabilitation clinic for patient EMG and NCV procedures, as well to assist with Botox injections.

The equipment will allow the capability for two physicians to perform EMG and NCV procedures simultaneously. The addition of ultrasound capabilities will allow the physicians to perform ultrasound procedures for diagnostic purposes and will aid the physician while doing deep Botox injections.

The project was approved at the Capital Investment Committee meeting on October 18, 2017

TOTAL CAPITAL COSTS \$26,876



Halifax Health Project Evaluation

EMG/ Nerve Conducting Ultrasound

Chief Operating Officer:	Mark Billings
Sr. Vice President, Operations:	Alberto Tineo
Executive Director, Center for Inpatient Rehab:	Astrid Gonzalez Parrilla
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project is to purchase an electromyography (EMG)/ nerve conduction (NCV) ultrasound unit used for EMG and NCV procedures and to assist Botox injections.

Strategic Plan Core Competency Achievement:

Physician Integration					
Care Coordination	X				
Cost Management					
Information Technology					
Service Distribution	X				
Financial Position					
Scale					
Managed Care Contracting					
Competitive Position					

Cornerstone:

Safety		X
Compassion		X
Image		
Efficiency		

Investment Request for Approval **\$26,876**

Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Mark Billings, Executive Vice President and Chief Operating Officer
CC: Catherine Luchsinger, RN, Chief Nursing Officer
Eric Peburn, Executive Vice President and Chief Financial Officer
DATE: November 14, 2017
RE: Bladder Scanners

Halifax Health Nursing Administration is requesting funds to purchase three (3) bladder scanners.

Use of bladder scanners has demonstrated a decrease in foley catheter insertions. Decreasing foley catheter days is a primary factor in reducing catheter-associated urinary tract infections.

Halifax Health currently has two (2) scanners that are in high demand. The requested scanners will be distributed to the Intensive Care units and the Port Orange campus.

The project was approved at the Capital Investment Committee meeting on October 18, 2017.

TOTAL CAPITAL COSTS \$25,245



Halifax Health Project Evaluation

Bladder Scanners

Chief Operating Officer:	Mark Billings
Chief Nursing Officer:	Catherine Luchsinger
Finance Analysis by:	Steve Mach

Summary

Purpose:

This project is to purchase three (3) bladder scanners used to decrease foley catheter insertions.

Strategic Plan Core Competency Achievement:

Physician Integration	
Care Coordination	X
Cost Management	
Information Technology	
Service Distribution	
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:

Safety	X
Compassion	X
Image	X
Efficiency	

Investment Request for Approval **\$25,245**

Recommendation for approval of the project is not based upon incremental return on investment.