



HALIFAX HEALTH

**Audit & Finance
Committee**

Wednesday, November 30, 2016

Meeting Location

Halifax Health

France Tower, Conference Room A

4:00 p.m.

HALIFAX HEALTH
AUDIT & FINANCE COMMITTEE
4:00 p.m., Wednesday, November 30, 2016
AGENDA

I. CALL TO ORDER

II. MINUTES

Investment Committee Minutes

- August 8, 2016

portal page 3, **action requested**

Audit & Finance Committee Minutes

- November 2, 2016

portal page 5, **action requested**

III. AUDIT COMMITTEE

Corporate Compliance, *Shelly Shiflet*

- Monthly Compliance Dashboard Report

portal page 8, **information only**

Internal Audit, *Bill Rushton*

- Audit Services Monthly Discussion & Analysis

portal page 10, **action requested**

FY 2016 Draft Audited Financial Statements, *Kathleen Dulko*

portal page 17, **action requested**

IV. FINANCE COMMITTEE

Financial Report, *Eric Peburn*

- October 2016

portal page 85, **action requested**

Acquisitions, Leases and Disposals, *Kent Bailey*

- Capital Investment Strategy
- Capital Expenditures \$50,000 and over
 - CVICU and CPCU Renovation
 - SAN Software
 - Endoscopic Ultrasound System for GI Lab
 - Clinical Mobile Carts
 - Patient Monitoring Network Switch Upgrade
 - Pulmonary Function Machine for HHPO and Upgrade for Main Campus
- Disposals
- Comparison of Projected and Actual Financial Results for Significant Projects

portal page 109, **information only**

portal page 113, **action requested**

\$816,000

\$593,985

\$440,703

\$198,168

\$140,503

\$68,384

none

none

Old Business

New Business

- Proposed Investment Policy Changes
- Request Tracker/Checklist
 - Comparison of FY 2016 physician practice visits to annualized FY 2015
 - 2017 Capital Budget and Remaining 2016 Capital Projects for Committee and Board Approval
 - Hospice Market Share Report Over Last Five Years

portal page 126, **action requested**

portal page 157, **information only**

Information Only

- Investment Performance Report, October 2016
- Capital Expenditures \$25,000 - \$50,000
 - Infant Warmer Bed

portal page 163, **information only**

portal page 168, **information only**

\$26,861

V. OPEN DISCUSSION

VI. NEXT MEETING

WEDNESDAY, January 4, 2017, 4:00 p.m. – Regular scheduled meeting

VII. EXECUTIVE SESSION

VIII. 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 8, 2016

Present: Susan Schandel, Member & Treasurer, Board of Commissioners
Dan Francati, Member & Secretary, Board of Commissioners
Dave Graffagnino, Member
Decker Youngman, Member
Greg Motto, Member
Mike Walsh, Advisor

Not Present: Ted Serbousek, Chairman & Chairman, Audit & Finance Committee

Also Present: Jeff Feasel, President & Chief Executive Officer
Eric Peburn, Executive Vice President & Chief Financial Officer
Kent Bailey, Director of Finance
Ben Eby, Director of Finance, Halifax Health Hospice
Leslie Wojcik, Ashford Investments

Via Teleconference: James G. Charles, Dimensional
Will Collins-Dean, Dimensional

The meeting was called to order at 4:05 p.m. by Susan Schandel.

Minutes

Discussion: Minutes from the May 9, 2016 Investment Committee meeting were reviewed.

Action: Mr. Graffagnino moved to approve the May 9, 2016 Investment Committee minutes as presented. Mr. Francati seconded the motion and it carried unanimously.

Manager Presentation

Discussion: Manager Presentation – Dimensional
Jim Charles and Will Collins-Dean (both via teleconference) from Dimensional were introduced and presented a portfolio update (board portal).

Action: None required.

Quarterly Review

Discussion: Mr. Walsh, Ashford Investment Advisors, presented the investment review for the 2nd calendar quarter.

Action: None required.

Discussion: Manager Assessment - Dimensional
Mr. Walsh presented the results of his comparative evaluation for Dimensional (small value, emerging, international and large value comparisons). Brief discussion ensued.

Action: Mr. Youngman moved to remain with Dimensional. Mr. Francati seconded the motion and it

carried unanimously.

Old Business

Discussion: None.

New Business

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.

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.

Discussion: Annual Investment Policies Review

Mr. Bailey reported that the investment policies of Halifax Hospital Medical Center, HH 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 Policy Review Checklist, the Annual Investment Charter, and the Annual Investment Policies. Ms. Schandel seconded the motion and it carried unanimously.

Discussion: Annual Investment Allocation Review

Mr. Walsh reviewed the annual investment allocation review as information only.

Informational Only

Discussion: Investment Performance Report, June 2016

Action: None required.

Next Meeting: Monday, November 14, 2016, 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
Monday, November 2, 2016

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

Also Present: Jeff Feasel, President & CEO
Eric Peburn, Executive VP/Chief Financial Officer
Ann Martorano, Executive VP/Chief Operating Officer
Kent Bailey, Director of Finance
Kathleen Dulko, Corporate Controller
Bill Rushton, Director, Internal Audit
Shelly Shiflet, Chief Compliance Officer
Arvin Lewis, Senior VP/Chief Revenue Officer
Alberto Tineo, Vice President, Operations
Bob Williams, Vice President, Population Health & Business Development
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
Dee Schaeffer, Government Affairs Officer/Executive Dir., Healthy Communities
Bob Wade, Compliance Expert
Jill Wheelock, Associate General Counsel
Charlena Kowatch, Deputy Chief Compliance Officer
Mauricio Suarez, Compliance Associate
Ryan Weber, RSM
Brandon Slauter, RSM

The meeting was called to order at 4:05 p.m. by Ted Serbousek. Attendance was recorded.

MINUTES

Discussion: Minutes from the September 26, 2016 Audit & Finance Committee Meeting were reviewed.

Action: Mr. Francati moved to approve the minutes as presented and recommends approval by the Halifax Health Board of Commissioners. Mr. Youngman 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 month ended September 2016, referencing no issues.

Action: None required.

Internal Audit

Discussion: Mr. Rushton presented the FY 2016 Audit Plan Status, which included the results of six completed projects, follow up items and management action plans.

Action: Mr. Motto moved to approve the FY 2016 Audit Plan Status as presented. Mr. Francati seconded the motion and it carried unanimously.

Discussion: Mr. Rushton presented the Internal Audit Department Charter. Brief discussion ensued.

Action: Mr. Motto moved to approve the Internal Audit Department Charter as presented. Mr. Francati seconded the motion and it carried unanimously.

Audited Financial Statements

Discussion: Ms. Dulko reported the initial FY 2016 Draft Audited Financial Statements were available for review. Significant changes to the audited financial statements include two new GASB statements that were implemented related to fair market value and the blending of all component units of the Medical Center. The final draft audited financial statements will be presented next month.

Action: None required.

FINANCE COMMITTEE

FINANCIAL REPORT

Discussion: Mr. Peburn reviewed the September 2016 Financial Report, reporting continued improvement over the last three months. Of note, improvements in Hospice over the last quarter made a significant impact which led to discussion regarding Hospice and its market share. Mr. Francati requested that a Hospice market share data report over the last five years be brought back to the committee. Mr. Peburn continued in his report of the financial summary which led to Ms. Schandel requesting the primary care visits be annualized for 2015 and brought back to the committee. Discussion ensued regarding the phenomenal effort and anticipated financial impact of Hurricane Matthew in October.

Mr. Peburn continued in his annual year-end financial presentation, highlighting financial and statistical trends and FY 2016 results.

Action: Ms. Schandel moved to approve the September 2016 Financial Report and recommends approval by the Board of Commissioners. Dr. Hemaidan seconded the motion and it carried unanimously.

ACQUISITIONS, LEASES & DISPOSALS

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

Action: None required. Mr. Francati requested that a status report be brought back to the committee regarding the 2017 Capital Budget and remaining 2016 capital projects that will require Committee and Board approval.

Discussion: Capital Expenditures \$50,000 and over

○ Cardiac Catheterization Lab Upgrade	\$1,811,962
○ Patient Monitors for Labor & Delivery, Post Anesthesia Care Unit and Surgical Holding	\$897,414
○ Laptop & Desktop Replacement	\$189,750

○ *Ultrasound – OB Diagnostics/Maternal Fetal Medicine* \$74,292

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

Discussion: Disposals (none)

Action: None required.

Discussion: Comparison of Projected and Actual Financial Results for Significant Projects
Mr. Bailey presented the projects under review and to be evaluated. monthly update.

Action: None required.

OLD BUSINESS

Discussion: Request Tracker/Checklist
Mr. Peburn presented the Bond Transaction Summaries & Interest Cost Savings to Halifax Health Medical Center.

Action: None required.

NEW BUSINESS

Discussion: None.

INFORMATIONAL REPORTS

Discussion: The Investment Performance Report for September 2016, Schedule Uses of Property Taxes and the Capital Expenditures, \$25,000 - \$50,000 (none) were presented under Information Only:

Action: None required.

OPEN DISCUSSION

Discussion: None.

NEXT MEETING DATE: **WEDNESDAY, November 30, 2016, 4:00 p.m. – Regular scheduled meeting**

EXECUTIVE SESSION

Discussion: The Committee went into Executive Session. Attendees included Mr. Rushton, Ms. Shiflet and Mr. Wade.

ADJOURNMENT

Action: There being no further business, a motion was made and seconded to adjourn.

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: November 22, 2016
Re: Compliance Dashboard Report for October 2016

Enclosed is the Compliance Program Dashboard Report for October 2016. Item III(2) did not meet the target defined on the report. The target is set for at least 10 (70%) of the 13 members to attend the Compliance Committee meeting. The following represents the attendance at the September 26, 2016 Compliance Committee meeting:

Members Present:

Shelly Shiflet, Vice President and Chief Compliance Officer;
Maria Crumlich, Director, Hospice;
Khalelah Jones, Privacy Officer;
Charlena Kowatch, Deputy Chief Compliance Officer;
Arvin Lewis, Senior Vice President and Chief Revenue Officer;
Alberto Tineo, Vice President, Operations;
Eric Peburn, Executive Vice President and Chief Financial Officer; and,
Jillian Wheelock, General Counsel Assistant (General Counsel Alternate).

Members Absent:

Dr. Margaret Crossman, Chief Medical Officer in training;
Bill Griffin, Director, System Research and Planning;
Kim Fulcher, Vice President and Chief Human Resources Officer;
Ann Martorano, Executive Vice President and Chief Operating Officer; and,
Tom Stafford, Vice President and Chief Information Officer.

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 – 10/31/2016

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. 4,087	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%)

	➤	CIA Required Training²
	1. 3,932	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. 4,816	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. 13	Number of members on <i>Compliance Committee</i>
	2. 61.5%	% of members who attended the meeting on 9/26/2016 (On Target at 70% or Greater)
	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 / 53	Number of Help Line calls received during month/past 12 months
	2. 2 / 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 9/30/2016
	4. 0	Number of open Help Line calls rated as High Priority as of 10/31/2016
	5. 4	Number of Help Line calls closed since last month

V. COMPLIANCE ISSUES

	1. 23	Number of issues open as of 9/30/2016
	2. 11	Of the issues in item 1, ___ remain open as of 10/31/2016
	3. 12	Number of issues from item 1 closed as of 10/31/2016
	4. 52%	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. 2	Number of Compliance Policies reviewed/ updated in the last month (On Target at 1)
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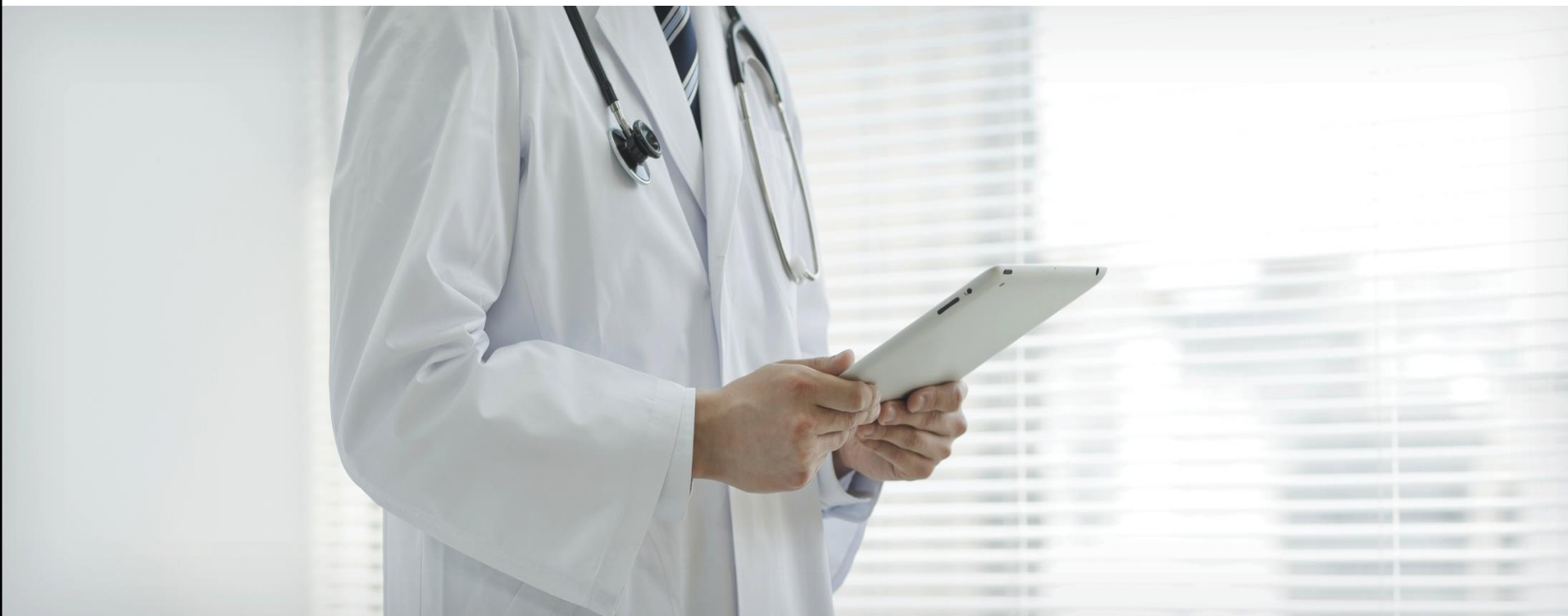
VII. BILLING AND CODING REVIEWS - Halifax Health will conduct reviews as part of scheduled audits or to investigate concerns brought to the attention of the Compliance Committee or the Compliance Officer.

	1. 2	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. 2	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 November 30, 2016

For the period covering October 22, 2016 through November 22, 2016

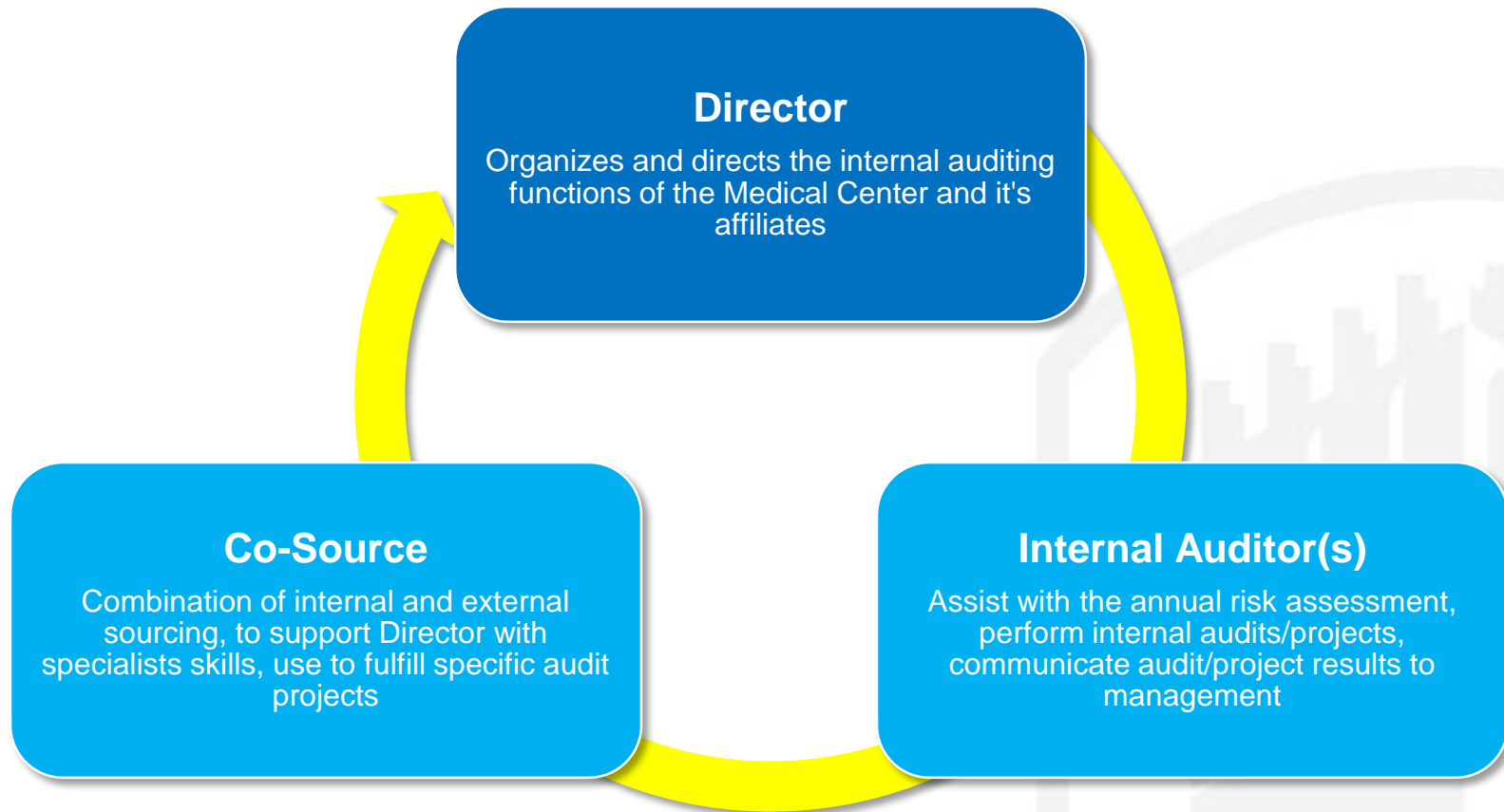
Internal Audit Overview

- Internal Audit Services (IAS) reports to the Halifax Health (HH) Audit and Finance Committee and administratively to the CEO.
- IAS will govern itself by adherence to The Institute of Internal Auditors' guidance, advisories and position papers and HH Policies and Procedures and Code of Ethics.
- The overall audit objective is to evaluate HH's performance in carrying out stated goals and objectives.
- Annual Audit Plan based on a risk-based methodology will be communicated to the committee.
- Audit reports issued to Sr. Management will be communicated to the Committee.
- Audit follow up results will be communicated to the Committee.

Key Internal Audit Tools

- ✓ Internal Audit and Special Project Procedures
 - ✓ Audit Report Guidelines
 - ✓ Workpaper Guidelines
 - ✓ Follow Up Procedures
 - ✓ Risk Assessment Toolkit
- ✓ Risk and Control Matrix (a.k.a. Audit Program)
- ✓ Self Control Assessments for Departments and Processes
 - ✓ Best Practices
- ✓ Audit Documentation and Reporting Application

Department Staffing

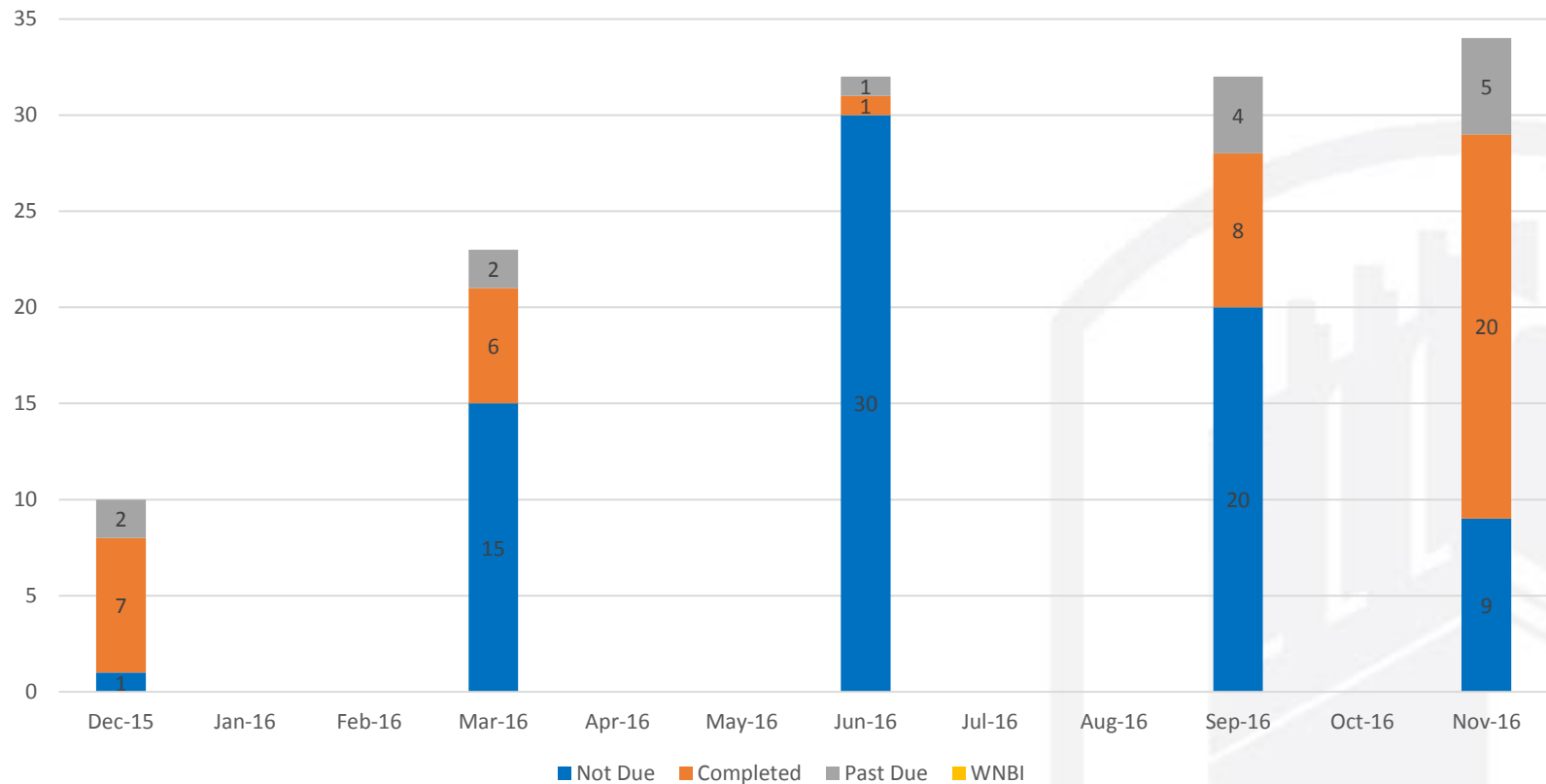


Results: FY 17 Audit Projects

Audit Source	Project Name	Status
Year End Audit	At the direction of RSM Internal Audit provided assistance	Fieldwork
Internal Audit	Pharmacy Controls Audit	Planning

Audit Follow-Up

Audit Issue Follow-Up: Status of Management Action Plans
November 22, 2016



See Board Portal for Audit Follow Up detail.

Past Due Management Action Plans

Meditology Security Risk

- Many recommended procedures have been completed, such as password length and complexity. Follow up work by RSM and Internal Audit is pending.

Payment Card Industry Audit

- Follow up work by Internal Audit on verification codes is pending.
- Older PCI vendor agreements have yet to be uploaded into Novatus archiving application.

Halifax Hospital Medical Center d/b/a Halifax Health

Financial and Compliance Report
September 30, 2016

Preliminary Draft - for Review and Discussion - Subject to Change

Halifax Hospital Medical Center d/b/a Halifax Health

Financial Report
September 30, 2016

Preliminary Draft - for Review and Discussion - Subject to Change

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Independent Auditor's Report

To the Honorable Commissioners of the Board
Halifax Hospital Medical Center
d/b/a Halifax Health
Daytona Beach, Florida

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, 2016, 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, 2016, 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, 2016, 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.

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 51 – 56 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 57 – 60 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
Daytona Beach, Florida

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, 2016, 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, 2016, 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, 2016, 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.

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 51 – 56 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 57 – 60 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, 2016**

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, 2016. 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 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, 2016**

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, 2016**

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)**

	2016	2015
Current assets	\$ 412,402	\$ 388,994
Assets whose use is limited, noncurrent	63,600	70,528
Capital assets, net	356,341	362,697
Other noncurrent assets and deferred outflows	108,299	71,430
Total assets and deferred outflows	\$ 940,642	\$ 893,649
Current liabilities	\$ 88,336	\$ 91,312
Long-term debt	366,800	350,856
Other noncurrent liabilities and deferred inflows	202,830	199,303
Total liabilities and deferred inflows	657,966	641,471
Net investment in capital assets	16,953	59,716
Restricted net position	5,850	5,846
Unrestricted net position	259,873	186,616
Total net position	282,676	252,178
Total liabilities, deferred inflows and net position	\$ 940,642	\$ 893,649

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

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2016**

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)**

	2016	2015
Operating revenue	\$ 530,666	\$ 504,762
Operating expenses	495,466	469,278
Income from operations	35,200	35,484
Nonoperating expenses	(4,702)	(15,645)
Increase in net position	\$ 30,498	\$ 19,839

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

Total assets and deferred outflows of Halifax Health increased \$47.0 million from September 30, 2015. Current assets of Halifax Health increased \$23.4 million from fiscal year 2015 primarily as a result of an increase in cash and cash equivalents of \$2.8 million and an increase in investments of \$21.6 million. Assets whose use is limited decreased from fiscal year 2015 by approximately \$6.9 million as a result of the issuance of the 2016 Series bonds, which decreased the restricted funds under indenture agreements for debt service by \$20.1 million and was offset by the increase in trustee-held funds of approximately \$12.7 million. Capital assets, net of accumulated depreciation decreased \$6.4 million from 2015 primarily as a result of capital acquisitions of approximately \$23.8 million, offset by depreciation expense of \$25.0 million and disposals of certain equipment. Other noncurrent assets and deferred outflows increased \$36.9 million from 2015 primarily due to the increase in the value of the interest rate swap of \$6.2 million, increases in deferred outflows related to the pension of \$23.1 million and an increase in the losses on refundings of debt of \$10.6 million related to the issuance of the 2016 Series bonds, offset by the amortization of goodwill of \$1.2 million.

Total liabilities and deferred inflows of Halifax Health increased \$16.4 million from September 30, 2015. Current liabilities decreased from fiscal year 2015 primarily as a result of a decrease in other current liabilities of \$2.9 million. On March 28, 2016, the Medical Center issued the Halifax Hospital Medical Center Hospital Revenue Refunding and Improvement Bonds, Series 2016 ("Series 2016") to advance refund a portion of the outstanding Series 2006 A bonds. The total debt issued was \$165.5 million and together with bond premium received of \$9.8 million and release of the debt service reserve fund described above, was used to advance refund \$50.5 million of the Series 2006 A bonds and \$105.0 million of the Series 2006 B bonds outstanding at that date, to fund future interest payments of approximately \$9.1 million, and to fund a 2016 Project account of approximately \$26.0 million.

Long-term debt, excluding current portion due, increased approximately \$15.9 million from September 30, 2015 as a result of the new money financed and unamortized premium received for the issuance of the 2016 Series bonds. As of September 30, 2016, the Medical Center's outstanding bonds (Series 2008, Series 2015, and Series 2016) were rated A- by Standard & Poor's, and BBB+ 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, 2016**

The increase in other noncurrent liabilities of the Medical Center of \$3.5 million from fiscal year 2015 is primarily due to the increase in the net pension liability of \$9.6 million, an increase in the long-term value of the interest rate swap liability of \$6.2 million, increases in other liabilities of \$6.2 million, offset by amortization of deferred inflows related to the pension plan of \$18.8 million.

The net position of Halifax Health at September 30, 2016, was \$282.7 million, an increase of \$ 30.5 million from September 30, 2015. The increase is a result of revenue generated from patient care and other operations of \$530.7 million offset by operating expenses of \$495.5 million and nonoperating expenses of \$4.7 million.

Operating Revenues

The increase in operating revenues of \$25.9 million over 2015 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, 2016 and 2015, are as follows:

Halifax Health Utilization Statistics

	2016	2015
Medical Center Activity:		
Admissions	23,026	22,492
Patient days	133,895	131,467
Average daily census	366	360
Total outpatient visits	292,272	275,431
Observation patient day equivalents	8,832	9,051
Hospice Activity:		
Hospice patient days	201,259	215,478

Halifax Health's inpatient admissions for 2016 increased by 534 admissions compared to 2015, and patient days for 2016 increased by 2,428 (1.9%) compared to 2015. The increases in admissions and patient days led to an increase in the average daily census by 6 patients per day from the prior year.

Operating Expenses

Total operating expenses of Halifax Health increased \$26.2 million in fiscal year 2016 compared to fiscal year 2015 primarily due to increases in salaries and benefits expense of \$18.4 million, increase in supplies expense of \$5.3 million and increases in purchased services of \$3.1 million. Depreciation and amortization expense increased \$1.3 million from 2015 to 2016, primarily due to new assets placed in 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 2015 to 2016.

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

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2016**

Nonoperating Revenues, Expenses, Gains and Losses

Bond issuance costs related to the 2016 Series bonds of approximately \$1.8 million are included in interest expense as of September 2016.

Investment income increased \$9.4 million in fiscal year 2016 compared to fiscal year 2015 as a result of increases in the market value of certain investments. Investment income for the year ended September 30, 2016 includes unrealized gains of \$3.6 million.

KEY FINANCIAL INDICATORS

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

Key Financial Indicators

	2016	2015
Total margin	5.5%	3.9%
Days cash on hand	276.0	271.0
Unrestricted cash to long-term debt	98.9%	96.9%
Long-term debt to capitalization	57.0%	58.4%
Total net patient service revenue, before provision for bad debts (in millions)	\$ 557.3	\$ 573.1

The total margin increased to 5.5% in fiscal year 2016 due to the increase in operating revenues of Halifax Health, offset by increases in operating and nonoperating expenses compared to fiscal year 2015. The number of days cash on hand, which includes investments and board designated assets whose use is limited, increased from 271 days at September 30, 2015, to 276 days at September 30, 2016, due to increases in operating revenue and cash flows during 2016. Unrestricted cash (including investments and board designated assets whose use is limited) to long-term debt increased in fiscal year 2016 from 2015 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, 2016 compared to September 30, 2015.

Total net patient service revenue, before provision for bad debts, decreased \$15.8 million from 2015 as a result of efforts to identify charity accounts earlier during a patient's treatment.

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

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2016**

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 \$61.1 million in community benefits during fiscal year 2016, 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

	2016	2015
Gross property tax levy	\$ 13,252	\$ 13,149
Tax discounts and uncollectible taxes	(345)	(335)
Net property taxes collected	12,907	12,814
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	(390)	(424)
Volusia County Medicaid matching assessment	(2,818)	(2,608)
Redevelopment taxes paid to Cities	(630)	(622)
Subtotal	(3,838)	(3,654)
Net taxes available for community health, wellness and readiness	9,069	9,160
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	(1,309)	(899)
Physician services	(7,571)	(7,825)
Trauma services	(5,406)	(6,452)
Pediatric and neonatal intensive care services	(687)	(1,128)
Child and adolescent behavioral services	(616)	(537)
Subtotal	(15,589)	(16,841)
Deficiency of net taxes available to fund hospital operating expenses	(6,520)	(7,681)
Uncompensated care provided by Halifax Health, at cost	(45,506)	(38,303)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, at cost	\$ (52,026)	\$ (45,984)

RISK FACTORS

The health care industry is highly dependent upon a number of 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 have increased in recent years and present additional 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. The full effect of the ACA is still undetermined and the following concerns exist:
 - Medicare and Medicaid DSH payments are expected to be reduced.
 - The State of Florida has not approved Medicaid expansion.
 - Proposed changes to the 340B drug regulations could 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.
- At the state level, the Medicaid managed care program has continued to expand and a prospective payment system for outpatient services will be 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 is scheduled to end after June 30, 2017, with no formal alternative plan yet proposed.

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 2017 Halifax Health operating budget.

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

Statement of Net Position

September 30, 2016

(In thousands)

Assets and Deferred Outflows

Current Assets:

Cash and cash equivalents	\$ 58,573
Investments	266,685
Current assets whose use is limited – Trustee-held self-insurance funds	612
Accounts receivable, patients, net of estimated uncollectibles of \$154,030	60,604
Inventories	11,334
Other current assets	14,594
Total current assets	412,402

Noncurrent Assets Whose Use is Limited:

Board-designated, funded depreciation	42,403
Trustee held funds	12,687
Restricted by donor	5,671
Board-designated, other	2,650
Restricted funds under indenture agreements for debt service	189

Depreciable Capital Assets, net	286,559
Nondepreciable Capital Assets	69,782
Other Assets	9,328
Total assets	841,671

Deferred Outflows:

Interest rate swap	39,431
Pension, contribution after measurement	21,236
Pension, other	17,130
Loss on refunding of debt	17,351
Goodwill, net	3,823
Total deferred outflows	98,971

Total assets and deferred outflows	\$ 940,642
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(Continued)

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

Statement of Net Position (Continued)

September 30, 2016

(In thousands)

Liabilities, Deferred Inflows and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	\$ 48,421
Accrued payroll and personal leave time	19,395
Current portion of accrued self-insurance liability	4,898
Current portion of long-term debt	7,526
Other current liabilities	8,096
Total current liabilities	88,336

Noncurrent Liabilities:

Long-term debt, less current portion	346,868
Premium on long-term debt, net	19,932
Net pension liability	129,142
Accrued self-insurance liability, less current portion	8,077
Other liabilities	24,850
Long-term value of interest rate swap	39,431
Total liabilities	656,636

Deferred Inflows Related to Pension

Total liabilities and deferred inflows	1,330
	657,966

Net Position:

Net investment in capital assets	16,953
Restricted for debt service	179
Restricted by donors, expendable	5,427
Restricted by donors, nonexpendable	244
Unrestricted	259,873
Total net position	282,676

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

\$ 940,642

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, 2016
(In thousands)**

Operating Revenues:	
Net patient service revenue, before provision for bad debts	\$ 557,277
Provision for bad debts	(67,416)
Net patient service revenue	<u>489,861</u>
Ad valorem tax revenue	13,252
Other revenue	27,553
Total operating revenues	<u>530,666</u>
Operating Expenses:	
Salaries and benefits	254,494
Supplies	93,347
Purchased services	80,896
Depreciation and amortization	24,952
Ad valorem tax-related expenses	7,460
Leases and rentals	6,147
Other	28,170
Total operating expenses	<u>495,466</u>
Income from operations	<u>35,200</u>
Nonoperating Revenues (Expenses):	
Interest expense	(18,973)
Investment income – net	12,312
Donation revenue	1,973
Nonoperating losses – net	(14)
Total nonoperating expenses	<u>(4,702)</u>
Increase in net position	30,498
Net Position:	
Beginning of year, as restated	252,178
End of year	<u>\$ 282,676</u>

See Notes to Financial Statements.

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

**Statement of Cash Flows
Year Ended September 30, 2016
(In thousands)**

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	\$ 493,855
Payments to employees	(276,694)
Payments to suppliers	(178,881)
Ad valorem taxes	13,181
Other receipts	30,934
Other payments	(44,137)
Net cash provided by operating activities	38,258
Cash Flows from Noncapital Financing Activities:	
Proceeds from donations received	1,980
Other nonoperating expenses	(14)
Net cash provided by noncapital financing activities	1,966
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(23,841)
Principal paid on long-term debt	(2,295)
Proceeds from issuance of bonds	165,490
Transfer to trustee-held funds	(12,619)
Payment for defeasance of bonds	(168,728)
Payment of bond issue costs	(1,774)
Premium on issuance of bonds	9,934
Payment of interest on long-term debt	(14,761)
Net cash used in capital and related financing activities	(48,594)
Cash Flows from Investing Activities:	
Realized investment income	8,515
Purchase of investments and assets whose use is limited	(117,614)
Proceeds from sales and maturities of investments and assets whose use is limited	120,289
Net cash provided by investing activities	11,190
Net increase in cash and cash equivalents	2,820
Cash and Cash Equivalents:	
Beginning of year	55,753
End of year	\$ 58,573

(Continued)

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

**Statement of Cash Flows (Continued)
Year Ended September 30, 2016
(In thousands)**

Reconciliation of Income from Operations to Net Cash	
Provided by Operating Activities:	
Income from operations	\$ 35,200
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation and amortization expense	24,952
Unrealized losses on investments considered operating activity	(845)
Provision for bad debts	90,666
Changes in assets and liabilities:	
Accounts receivable, patients	(90,087)
Inventories and other current assets	501
Other assets	(3,281)
Accounts payable and accrued liabilities	2,854
Other liabilities	(21,702)
Net cash provided by operating activities	\$ 38,258
Noncash Investing Activities, unrealized gains on investments and assets whose use is limited	\$ 3,869

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Fiduciary Net Position
September 30, 2016
(In thousands)

Assets:

Investments, at fair value:

Money market and mutual funds

\$ 240,144

Net position restricted for pension benefits

\$ 240,144

See Notes to Financial Statements.

Preliminary Draft - for Review and Discussion - Subject to Change

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

**Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2016
(In thousands)**

Additions:	
Investment results:	
Appreciation in fair value of investments	\$ 16,019
Interest and dividends	4,873
Net investment results	<u>20,892</u>
Employer contributions	21,236
Total additions	<u><u>42,128</u></u>
Deductions:	
Administrative expenses	77
Benefits paid directly to participants	16,818
Total deductions	<u><u>16,895</u></u>
Increase in net position restricted for pension benefits	25,233
Net Position Restricted for Pension Benefits:	
Beginning of year	214,911
End of year	<u><u>\$ 240,144</u></u>

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 substantially the same governing body as the Medical Center, 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 the City of 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 opened in 2015 and 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**

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Net Position

September 30, 2016

(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	\$ 140,949	\$ 166,470	\$ -	\$ -	\$ 270	\$ 6,414	\$ 65,502	\$ 62	\$ 32,735	\$ -	\$ -	\$ 412,402
Restricted Funds Under Indenture Agreements for Debt Service	-	-	-	-	-	-	-	-	-	189	-	189
Noncurrent Assets Whose Use is Limited	55,090	-	-	-	-	-	2,650	-	5,671	-	-	63,411
Capital Assets, net	301,500	18,601	-	-	-	-	19,127	4	-	17,109	-	356,341
Other Assets and Deferred Outflows	98,669	-	-	-	-	4,674	4,631	-	298	27	-	108,299
Total assets and deferred outflows	\$ 596,208	\$ 185,071	\$ -	\$ -	\$ 270	\$ 11,088	\$ 91,910	\$ 66	\$ 38,704	\$ 17,325	\$ -	\$ 940,642
Liabilities, Deferred Inflows and Net Position												
Current Liabilities	\$ 76,675	\$ 2,729	\$ -	\$ -	\$ 683	\$ 1,188	\$ 3,033	\$ 1,033	\$ 152	\$ 2,843	\$ -	\$ 88,336
Long-Term Debt, less current portion	365,407	-	-	-	-	-	-	-	-	1,393	-	366,800
Other Liabilities and Deferred Inflows	194,488	-	-	-	-	-	5,837	-	2,505	-	-	202,830
Total liabilities and deferred inflow	636,570	2,729	-	-	683	1,188	8,870	1,033	2,657	4,236	-	657,966
Net Position:												
Net investment in capital assets	(15,527)	-	-	-	-	-	19,126	4	-	13,350	-	16,953
Restricted for debt service	-	-	-	-	-	-	-	-	-	179	-	179
Restricted by donors, expendable	-	-	-	-	-	-	-	-	5,427	-	-	5,427
Restricted by donors, nonexpendable	-	-	-	-	-	-	-	-	244	-	-	244
Unrestricted	(24,835)	182,342	-	-	(413)	9,900	63,914	(971)	30,376	(440)	-	259,873
Total net position	(40,362)	182,342	-	-	(413)	9,900	83,040	(967)	36,047	13,089	-	282,676
Total liabilities, deferred inflows and net position	\$ 596,208	\$ 185,071	\$ -	\$ -	\$ 270	\$ 11,088	\$ 91,910	\$ 66	\$ 38,704	\$ 17,325	\$ -	\$ 940,642

Halifax Hospital Medical Center
d/b/a Halifax Health

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, 2016
(In thousands)

	Blended Component Units										Intercompany Eliminations	Halifax Health
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS		
Operating Revenues	\$ 238,948	\$ 1,492	\$ 210,944	\$ 23,686	\$ 2,130	\$ 1,433	\$ 44,448	\$ 1,213	\$ 6,485	\$ 2,881	\$ (2,994)	\$ 530,666
Operating Expenses, before depreciation and amortization	189,671	212	210,944	23,686	2,449	-	44,586	1,208	691	61	(2,994)	470,514
Depreciation and Amortization	22,444	799	-	-	-	-	907	1	-	801	-	24,952
Total operating expenses	212,115	1,011	210,944	23,686	2,449	-	45,493	1,209	691	862	(2,994)	495,466
Income (loss) from operations	26,833	481	-	-	(319)	1,433	(1,045)	4	5,794	2,019	-	35,200
Nonoperating Revenues (Expenses)	(16,640)	4,665	-	-	-	-	7,452	-	-	(179)	-	(4,702)
Increase (decrease) in net position	\$ 10,193	\$ 5,146	\$ -	\$ -	\$ (319)	\$ 1,433	\$ 6,407	\$ 4	\$ 5,794	\$ 1,840	\$ -	\$ 30,498

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Cash Flows

Year Ended September 30, 2016

(In thousands)

Net cash provided by (used in):	Medical Center	Blended Component Units									Intercompany Eliminations	Halifax Health
		Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS		
Operating Activities	\$ 258,510	\$ 1,280	\$ (210,944)	\$ (23,686)	\$ (133)	\$ 2,310	\$ 5,224	\$ (39)	\$ 2,916	\$ 2,820	\$ -	\$ 38,258
Noncapital Financing Activities	(238,099)	4,119	210,944	23,686	133	710	804	42	(13)	(360)	-	1,966
Capital and Related Financing Activities	(41,547)	(4,514)	-	-	-	-	(70)	(3)	-	(2,460)	-	(48,594)
Investing Activities	20,678	-	-	-	-	-	(6,297)	-	(3,191)	-	-	11,190
Net increase (decrease) in cash and cash equivalents	(458)	885	-	-	-	3,020	(339)	-	(288)	-	-	2,820
Cash and Cash Equivalents:												
Beginning of year	51,690	15	-	-	-	2,191	702	-	1,155	-	-	55,753
End of year	\$ 51,232	\$ 900	\$ -	\$ -	\$ -	\$ 5,211	\$ 363	\$ -	\$ 867	\$ -	\$ -	\$ 58,573

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).

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 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, 2016, 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.

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 2016. Estimated losses for employees' health claims are not discounted as all amounts are considered current liabilities. See Note 7 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, 2016.

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.

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 \$13.3 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 (deficit) of revenue over expenses is reported as income (loss) 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 \$14.3 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 52% of net patient service revenue for the year ended September 30, 2016. 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 \$1.1 million for the year ended September 30, 2016.

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. For fiscal year 2016, the Medical Center 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 \$26.4 million for the year ended September 30, 2016. 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, 2016, as follows (in thousands):

Gross patient charges	\$ 1,741,016
Charity adjustments	(122,119)
Contractual adjustments	(1,061,620)
Net patient service revenue before provision for bad debts	557,277
Provision for bad debts	(67,416)
Net patient service revenue	\$ 489,861

New Accounting Standards: On October 1, 2015, Halifax Health adopted GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This statement requires not-for-profit component units for which the primary government is the sole corporate member to be presented as blended component units. As a result of the adoption of GASB Statement No. 80, net position of the Medical Center as of October 1, 2015 was restated to retroactively report the net position of component units that were previously discretely presented, as follows:

Net position, as previously reported, October 1, 2015	\$ 135,014
Net position of newly blended component units, as previously reported, October 1, 2015	117,164
Net position October 1, 2015, as restated	\$ 252,178

On October 1, 2015, Halifax Health adopted GASB Statement No. 72 – *Fair Value Measurement and Application*. This statement defines fair value and how it should be measured, which assets and liabilities should be measured at fair value and what information should be disclosed in the notes to the financial statements. The adoption of this statement resulted in expanded disclosures in the financial statements.

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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 March 2016, GASB issued Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for reporting periods beginning after June 15, 2016. This standard clarifies disclosure requirements for defined benefit pension plans. Halifax Health does not expect this statement to have a material impact on the financial statements.

Note 3. Investments, Assets Whose Use is Limited, and Restricted Assets

Halifax Health measures and records its investments, assets whose use is limited, and restricted assets 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;

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

Notes to Financial Statements

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

The composition and fair market value classification of investments, assets whose use is limited, and restricted assets of Halifax Health at September 30, 2016, 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	\$ 4	\$ 475	\$ 44	\$ 189	\$ 91	\$ -	\$ -	\$ 803
Mutual funds:								
DFA Emerging Markets Value Portfolio	1,285	-	-	-	-	399	95	1,779
DFA International Value Portfolio	3,423	-	-	-	-	887	227	4,537
DFA Small Cap Value Portfolio	6,813	-	-	-	-	1,856	430	9,099
DFA U.S. Large Cap Value Portfolio	14,898	-	-	-	-	2,284	868	18,050
Vanguard Energy Fund Admiral Shares	134	-	-	-	-	-	52	186
Vanguard Energy Index	751	-	-	-	-	-	-	751
Vanguard Health Care Fund	519	-	-	-	-	-	60	579
Vanguard Large Cap Growth Index Fund	7,312	-	-	-	-	-	-	7,312
Vanguard Short-Term Federal Admiral Fund	65	-	-	-	-	-	-	65
Vanguard Short-Term Investment Grade Inst Fund	104,710	-	-	-	-	-	918	105,628
Vanguard Small Cap Growth Index Fund	8,132	-	-	-	-	-	-	8,132
U.S. Treasury obligations	80,077	-	-	-	4,181	-	-	84,258
Total Level 1	228,123	475	44	189	4,272	5,426	2,650	241,179
<u>Level 2</u>								
U.S. Government-sponsored enterprises:								
Federal National Mortgage Association	-	-	-	-	8,712	-	-	8,712
Federal Home Loan Bank	4,161	86	8,143	-	14,782	-	-	27,172
Federal Home Loan Mortgage Corporation	3,054	50	4,500	-	14,536	-	-	22,140
Corporate bonds	24,720	-	-	-	-	-	-	24,720
Other	6,627	1	-	-	101	245	-	6,974
Total Level 2	38,562	137	12,643	-	38,131	245	-	89,718
Total	\$ 266,685	\$ 612	\$ 12,687	\$ 189	\$ 42,403	\$ 5,671	\$ 2,650	\$ 330,897

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

Notes to Financial Statements

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

All investments of the Halifax Pension Plan were classified as Level 1 at September 30, 2016. The composition of investments in the Halifax Pension Plan at September 30, 2016, is set forth in the following table (in thousands):

Money market funds	\$ 4,592
Mutual funds:	
DFA Emerging Markets Value Portfolio	10,236
DFA International Value Portfolio	29,845
DFA U.S. Large Cap Value Portfolio	17,635
DFA U.S. Small Cap Value Portfolio	18,304
Vanguard Energy Fund Admiral Shares	4,290
Vanguard Energy Index Fund	4,659
Vanguard Growth Index Fund	13,587
Vanguard Health Care Fund	8,190
Vanguard Short-Term Investment Grade Inst Fund	114,381
Vanguard Small Cap Growth Index Fund	14,425
Total	\$ 240,144

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

The Medical Center invests in money market and mutual funds that qualify as fixed-income securities in accordance with its investment policy described in Note 4. At September 30, 2016, 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.
- Vanguard Short-Term Investment-Grade Institutional Fund (VFSIX) invests at least 80% of its portfolio in short and intermediate-term investment grade securities.

At September 30, 2016, 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, 2016, was \$12.3 million and includes unrealized gains of \$3.6 million. Investment income of the Foundation includes unrealized gains of approximately \$846,000 and is included in other operating revenue.

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: 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.

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.

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.

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

Notes to Financial Statements

Note 4. Deposits and Investment Risk (Continued)

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, 2016, 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, 2016, Halifax Health does not have investments in debt securities with any single issuer that represents 5% or more of total investments. At September 30, 2016, 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, 2016, 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, 2016, 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	\$ 803	\$ 803	\$ -	\$ -
Mutual funds	156,118	156,118	-	-
U.S. Government securities	84,258	2,002	80,077	2,179
U.S. Government-sponsored enterprises	58,024	36,734	18,096	3,194
Corporate bonds	24,720	1,547	13,291	9,882
Other	6,974	6,974	-	-
Total	\$ 330,897	\$ 204,178	\$ 111,464	\$ 15,255

At September 30, 2016, 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 5. 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, net of unamortized premiums and discounts at September 30, 2016, is \$354.1 million and the fair value at September 30, 2016, is approximately \$388.7 million.
- The fair value of the Swap was approximately \$39.4 million at September 30, 2016, 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 9 for more information about the Swap.

Note 6. 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, 2016. No interest related to these projects was capitalized during the year. A summary of the activities for the year ended September 30, 2016, is presented below (in thousands):

	Balance at September 30, 2015	Increases/ Transfers	Decreases/ Transfers	Balance at September 30, 2016
Capital Assets — at cost:				
Land	\$ 44,648	\$ 4,514	\$ -	\$ 49,162
Land improvements	3,737	507	2	4,242
Buildings	394,868	4,750	2,489	397,129
Fixed equipment	16,095	3,341	144	19,292
Major moveable equipment	84,543	8,110	3,433	89,220
Computers and software	19,224	4,481	1,272	22,433
Projects in progress	23,713	21,606	22,725	22,594
Total capital assets — at cost	586,828	47,309	30,065	604,072
Accumulated Depreciation:				
Land improvements	2,918	257	5	3,170
Buildings	131,973	14,211	2,023	144,161
Fixed equipment	9,704	2,291	18	11,977
Major moveable equipment	65,914	7,635	2,970	70,579
Computers and software	13,622	4,285	63	17,844
Total accumulated depreciation	224,131	28,679	5,079	247,731
Capital assets — net	\$ 362,697	\$ 18,630	\$ 24,986	\$ 356,341

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

Notes to Financial Statements

Note 7. 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, 2016 and 2015 are as follows (in thousands):

	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

	Balance at September 30, 2014	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2015
Employee health	\$ 1,400	\$ 8,360	\$ (8,405)	\$ 1,355
Professional liability	8,420	(506)	(524)	7,390
Workers' compensation	3,758	1,218	(1,012)	3,964
Total	\$ 13,578	\$ 9,072	\$ (9,941)	\$ 12,709

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 7. 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 8. Long-Term Debt

Long-term debt at September 30, 2016, consists of the following (in thousands):

Bonds payable, Series 2008	\$ 70,000
Bonds payable, Series 2010	3,470
Bonds payable, Series 2015 — including premium of \$10,163	125,308
Bonds payable, Series 2016 — including premium of \$9,769	175,259
Long-term notes and other indebtedness	289
Long-term debt	374,326
Current portion of long-term debt	7,526
Long-term debt—less current portion	\$ 366,800

Bonds Payable: Halifax Health has outstanding \$366.8 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; \$115.1 million of tax-exempt, fixed rate bonds ("Series 2015"), \$165.5 million of tax-exempt, fixed rate bonds ("Series 2016"), and \$3.5 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 2006 A bonds carried interest rates ranging from 5% to 5.38% and had a maximum maturity of June 1, 2046. The net proceeds of the Series 2006 A bonds were used to advance refund outstanding indebtedness, convert a line of credit to long-term indebtedness, fund a debt service reserve fund ("DSRF"), and provide funds for capital projects.

A pro-rata portion of each scheduled maturity of the Series 2006 A bonds was advance refunded with the issuance of the Halifax Hospital Medical Center Hospital Revenue Refunding Bonds, Series 2015 ("Series 2015") on April 29, 2015. The total debt issued was \$115.2 million and together with bond premium received of \$10.7 million was used to advance refund approximately \$115.2 million of the Series 2006 A bonds outstanding at that date, and to fund future interest payments of approximately \$9.1 million. The unamortized bond premium at September 30, 2016 is reported in the carrying value of the Series 2015 bonds in long-term debt in the accompanying statement of net position. In addition, a loss on refunding of was recognized upon issuance and the unamortized portion of that loss is presented as a deferred outflow in the accompanying statement of net position. The loss on refunding is being amortized over the life of the new debt. The aggregate debt service on the refunded portion of the Series 2006 A bonds from the date of refunding through the original maturity date would have been \$220 million, and the aggregate debt service payments on the Series 2015 bonds is expected to be \$204 million. The present value of the aggregate difference in debt service payments is expected to be a savings of approximately \$10.6 million over the life of the Series 2015 bonds.

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

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 2006 B bonds were fixed-rate securities insured by Assured Guarantee Municipal Corp. ("AGMC"). The Series 2006 B bonds carried interest rates ranging from 5.38% to 5.50% and had maturities extending through June 1, 2038. The net proceeds of the Series 2006 B bonds were used to fund a DSRF, to provide funds for future capital projects, and for reimbursement of prior capital expenditures. The Series 2006 B bonds were bifurcated into Series 2006 B-1 and Series 2006 B-2 bonds.

During 2016, the remaining outstanding principal of the Series 2006 A bonds and the Series 2006 B bonds were advance refunded with the issuance of the Halifax Hospital Medical Center Hospital Revenue Refunding and Improvement Bonds ("Series 2016") on March 28, 2016. The total debt issued was \$165.5 million and together with bond premium received of \$9.9 million and release of debt service reserve funds of \$20.1 million, was used to advance refund \$50.5 million of the Series 2006 A bonds and \$105 million of the Series 2006 B bonds outstanding at that date, to fund future interest payments of approximately \$9.1 million, and to fund a 2016 Project account of approximately \$26.0 million. Bond issuance costs of approximately \$1.8 million are included in interest expense in the accompanying statement of revenues, expenses and changes in net position. The unamortized bond premium at September 30, 2016 is reported in the carrying value of the Series 2016 bonds in long-term debt in the accompanying statement of net position. In addition, a loss on refunding of \$11.4 million was recognized upon issuance, and the unamortized portion of that loss at September 30, 2016 is presented as a deferred outflow in the accompanying statement of net position. The loss on refunding will be amortized over the life of the new debt, with the exception of the portion that relates to the 2006 B-2 Series bonds of approximately \$3.2 million which will be amortized over the original maturity of that debt. The aggregate debt service on the refunded Series 2006 A and Series 2006 B bonds from the date of refunding through the original maturity date would have been \$271.5 million, and the aggregate debt service payments on the Series 2016 bonds related to refunding is expected to be \$245.9 million. The present value of the aggregate difference in debt service payments is expected to be a savings of approximately \$25.6 million over the life of the Series 2016 bonds.

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%.

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.

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

The Series 2008 bonds are subject to purchase from time to time at the option of the owners thereof and are required to be purchased in certain circumstances. As such, the bonds are supported by a remarketing agreement and an irrevocable direct pay letter of credit with a bank in the aggregate amount of \$70 million at September 30, 2016. 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 2016, with interest rates ranging from 0.01% to 0.89%. 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 2016. 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, 2020. Pursuant to the terms of the letter of credit, the Medical Center is required to comply with certain provisions regarding additional borrowings, capital expenditures, and the maintenance of certain financial ratios.

The Medical Center has a \$70 million notional-amount fixed-pay percentage of the London InterBank Offered Rate ("LIBOR") interest rate swap on the Series 2008 bonds (the "Swap"). The variable interest paid on the Series 2008 bonds is expected to correlate very closely with the rate that is received on the related Swap. The effective interest rate on the Swap is a synthetic fixed rate of interest of 4.36% at September 30, 2016. See Note 9 for further information on the Swap.

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

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
d/b/a Halifax Health**

Notes to Financial Statements

Note 8. 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	3.00	June 1, 2017	117,060	3.75%–5.00%	June 1, 2046
			4.00	June 1, 2018			
			5.00	June 1, 2030			
			3.38	June 1, 2031			

Variable-Rate Bonds

Series	Date Issued	Original Issue Amount	Interest Rate at September 30, 2016*	Maturity Date	Interest Rate Period
Series 2008	September 18, 2008	\$ 70,000	0.89%	June 1, 2048	7 days

* This rate is the remarketed interest rate in effect as of September 30, 2016. The Medical Center also has a fixed-pay interest rate as part of the Swap. See Note 9 for more information on the Swap.

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

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

Listed below are the debt service payments for Halifax Health for each of the five years ending September 30, 2017 through 2021, 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 2020. The interest rate used to calculate interest on the Series 2008 bonds was the remarketed interest rate in effect at September 30, 2016.

	Series 2008		Series 2015		Series 2016		Total Debt Secured by Obligated Group		Series 2010		Other		Total Halifax Health	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ 623	\$ 3,565	\$ 5,425	\$ 1,595	\$ 7,264	\$ 5,160	\$ 13,312	\$ 2,175	\$ 75	\$ 191	\$ 17	\$ 7,526	\$ 13,404
2018	-	623	3,720	5,318	1,590	7,216	5,310	13,157	1,295	12	98	6	6,703	13,175
2019	-	623	4,350	5,169	1,170	7,152	5,520	12,944	-	-	-	-	5,520	12,944
2020	-	623	4,570	4,952	1,225	7,094	5,795	12,669	-	-	-	-	5,795	12,669
2021	-	623	4,785	4,723	1,305	7,032	6,090	12,378	-	-	-	-	6,090	12,378
2022 – 2026	-	3,115	27,805	19,777	7,510	34,121	35,315	57,013	-	-	-	-	35,315	57,013
2027 – 2031	-	3,115	10,960	14,505	34,035	29,720	44,995	47,340	-	-	-	-	44,995	47,340
2032 – 2036	-	3,115	13,950	11,503	42,775	20,988	56,725	35,606	-	-	-	-	56,725	35,606
2037 – 2041	13,955	2,870	17,290	8,166	39,440	11,020	70,685	22,056	-	-	-	-	70,685	22,056
2042 – 2046	27,165	1,787	24,150	3,573	34,845	4,426	86,160	9,786	-	-	-	-	86,160	9,786
2047 – 2048	28,880	131	-	-	-	-	28,880	131	-	-	-	-	28,880	131
Total	\$ 70,000	\$ 17,248	\$ 115,145	\$ 83,111	\$ 165,490	\$ 136,033	\$ 350,635	\$ 236,392	\$ 3,470	\$ 87	\$ 289	\$ 23	\$ 354,394	\$ 236,502

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 8. 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, 2016, was \$289,000.

Long-term debt activity for the year ended September 30, 2016, consisted of the following (in thousands):

	Balance at September 30, 2015	Additions (Reductions) Net of Original Issue Discounts, Premium, and Loss on Refunding	Balance at September 30, 2016
Series 2006 A Bonds	\$ 51,116	\$ (51,116)	\$ -
Series 2006 B Fixed Rate Conversion	103,539	(103,539)	-
Series 2008	70,000	-	70,000
Series 2010	5,580	(2,110)	3,470
Series 2015	125,647	(339)	125,308
Series 2016	-	175,259	175,259
Other	469	(180)	289
Total	\$ 356,351	\$ 17,975	\$ 374,326

Note 9. Interest Rate Swap

The Medical Center has previously entered into a Swap agreement with a notional amount of \$70 million in conjunction with the issuance of the Series 2008 bonds that effectively converts the variable rate bonds to a fixed rate. Under the terms of the Swap, the Medical Center pays to the counterparty a fixed rate of interest equal to 3.837% of the remaining notional amount. In turn, the Medical Center receives a payment of variable interest equal to 67% of LIBOR. The termination date of this Swap agreement is June 1, 2048, which coincides with the maximum maturity of the Series 2008 bonds. Payments under the Swap agreement are insured by AGMC. For the year ended September 30, 2016, the Medical Center made approximately \$2.9 million in payments under the Swap agreement to the counterparty and received approximately \$193,000 in payments under the Swap agreement from the counterparty. 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, 2016, the fair value of the Swap liability of approximately \$43.5 million was included in other long-term liabilities, with the current-year change in fair value of approximately \$10.2 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.

**Halifax Hospital Medical Center
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Notes to Financial Statements

Note 9. Interest Rate Swap (Continued)

Basis Risk: The Medical Center is exposed to basis risk on the Swap because the variable-rate interest payments it receives on the Swap is based on a rate other than the interest rate the Medical Center pays on its hedged, variable rate debt, which is remarketed every seven days. As of September 30, 2016, the interest rate on the hedged variable-rate debt is 0.89% and 67% of LIBOR is 0.37%.

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, 2016 (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, 2016. 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
2017	\$ -	\$ 623	\$ 2,105	\$ 2,728
2018	-	623	2,105	2,728
2019	-	623	2,105	2,728
2020	-	623	2,105	2,728
2021	-	623	2,105	2,728
2022 – 2026	-	3,115	10,525	13,640
2027 – 2031	-	3,115	10,525	13,640
2032 – 2036	-	3,115	10,525	13,640
2037 – 2041	13,955	2,870	9,698	12,568
2042 – 2046	27,165	1,787	6,037	7,824
2047 – 2048	28,880	131	443	574
Total	\$ 70,000	\$ 17,248	\$ 58,278	\$ 75,526

Note 10. 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.

Notes to Financial Statements

Note 10. 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, 2015, the measurement date, the Plan included 569 active employees, 566 terminated but vested participants, and 906 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 \$21.2 million to the Plan in fiscal year 2016. In accordance with GASB Statement No. 68, that amount is recorded on the statement of net position as a deferred outflow at September 30, 2016. Staffing's proportionate share of the contribution, expense and net pension liability is 94.85% and Hospice's proportionate share is 5.15% for fiscal years 2016 and 2015. 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 MP2014
Interest rate	6.75% annually, compounded
Pay increase	N/A
Cost of living adjustment	3%
Measurement date	September 30, 2015
Valuation date	October 1, 2014
Allocation of Plan assets	55-65% Equities 35-45% Fixed income
Real rate of return	Overall - 7.17%, arithmetic mean Equities - 5.60% Fixed income - 1.57%
Experience study date	October 1, 2015

The discount rate used in measuring the total pension liability was 6.75% for fiscal years 2016 and 2015. 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, 2016 using a discount rate of 5.75% would have been \$174,539 million, and using a discount rate of 7.75% would have been \$91.8 million.

Notes to Financial Statements

Note 10. 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 onetime, 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.

Preliminary Draft - for Review and Discussion

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

Notes to Financial Statements

Note 10. Pension Plan and Other Postemployment Benefits (Continued)

The net pension liability at September 30, 2016 using a discount rate of 6.75 % was \$129.1 million. Since the last measurement date, September 30, 2014, 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, 2015	\$ 15,218	\$ (8,357)	\$ 3,481	\$ (15,263)	\$ (337,835)	\$ 225,016	\$ (112,819)	\$ -
Interest cost	-	-	-	-	(22,294)	-	(22,294)	22,294
Difference in liability from valuation date to measurement date	-	-	1,403	(2,123)	720	-	720	-
Difference in projected and realized investment earnings	-	25,445	-	-	-	(25,445)	(25,445)	-
Projected investment income	-	-	-	-	-	15,592	15,592	(15,592)
Benefit payments	-	-	-	-	15,356	(15,356)	-	-
Expenses	-	-	-	-	-	(114)	(114)	114
Contributions recognized in Plan Fiduciary Net Position	(15,218)	-	-	-	-	15,218	15,218	-
Contributions made after measurement date	21,236	-	-	-	-	-	-	-
Amortization of deferred inflows	-	(2,179)	(2,663)	16,056	-	-	-	(11,214)
Balance at September 30, 2016	\$ 21,236	\$ 14,909	\$ 2,221	\$ (1,330)	\$ (344,053)	\$ 214,911	\$ (129,142)	\$ (4,398)

Proportionate share of the above balances as of September 30, 2016:

Medical Center	\$ 20,142	\$ 14,141	\$ 2,107	\$ (1,262)	\$ (326,334)	\$ 203,843	\$ (122,491)	\$ (4,172)
Hospice	1,094	768	114	(68)	(17,719)	11,068	(6,651)	(226)
	<u>\$ 21,236</u>	<u>\$ 14,909</u>	<u>\$ 2,221</u>	<u>\$ (1,330)</u>	<u>\$ (344,053)</u>	<u>\$ 214,911</u>	<u>\$ (129,142)</u>	<u>\$ (4,398)</u>

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

Notes to Financial Statements

Note 10. 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, 2016, 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, 2016	\$ 21,236	\$ 14,909	\$ 2,221	\$ (1,330)	\$ -
2017	(21,236)	(2,179)	(1,866)	793	3,252
2018	-	(2,180)	(355)	537	1,998
2019	-	(5,461)	-	-	5,461
2020	-	(5,089)	-	-	5,089
	\$ -	\$ -	\$ -	\$ -	\$ 15,800

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, 2016, was approximately \$4.6 million and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position. Participants contributed approximately \$8.5 million to the Contribution Plan for the year ended September 30, 2016.

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 10. 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, 2016 (in thousands):

ARC and Annual OPEB Cost

ARC	\$ 1,032
Plus interest on net OPEB obligation	219
Less adjustment to annual required contribution	(317)
Annual OPEB cost	934
Contributions made	(682)
Increase in net OPEB obligation	252
Net OPEB obligation:	
Beginning of year	5,487
End of year	<u>\$ 5,739</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 2016 is approximately \$934,000. The net OPEB obligation was \$5.7 million as of September 30, 2016, and is included in other liabilities on the accompanying statement of net position. The percentage of OPEB cost contributed during fiscal year 2016 was 73%. 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
2016	\$ 934	73%	\$ 5,739
2015	947	69	5,487
2014	940	61	5,198

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2015
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 10. 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-2015 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, 2015	\$ -	\$ 17,842	\$ 17,842	0%	\$ 42,387	42%

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, 2016 (in thousands):

Annual OPEB cost	\$ 442
Contributions made	(293)
Increase in net OPEB obligation	149
Net OPEB obligation:	
Beginning of year	3,281
End of year	<u>\$ 3,430</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 10. Pension Plan and Other Postemployment Benefits (Continued)

The annual Implicit Rate Subsidy OPEB cost for fiscal year 2016 is approximately \$442,000. The Implicit Rate Subsidy OPEB obligation was \$3.4 million as of September 30, 2016, and is included in other liabilities in the accompanying statement of net position. The percentage of OPEB cost contributed during fiscal year 2016 is 66%. 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
2016	\$ 442	66%	\$ 3,430
2015	582	56	3,281
2014	503	68	3,025

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2015
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-2015 on a fully-generational basis.

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

Notes to Financial Statements

Note 10. 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, 2015	\$ -	\$ 4,998	\$ 4,998	0%	\$ 42,387	12%

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 11. Commitments and Contingencies

Leases: The Medical Center is committed under various noncancelable operating leases. These expire in various years through 2024. Future minimum operating lease payments are as follows (in thousands):

Years Ending September 30,	
2017	\$ 6,325
2018	3,643
2019	1,779
2020	1,204
2021	260
2022 – 2024	115
Total minimum lease payments required	<u>\$ 13,326</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 12. Concentrations of Credit Risk

The Medical Center and Hospice grant credit without collateral to its patients, most of who are local residents that are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at September 30, 2016, was as follows:

Medicare	18%
Medicaid	12%
Other third-party payors	68%
Self-pay patients	2%
Total	<u><u>100%</u></u>

Notes to Financial Statements

Note 13. Joint Ventures

EVHS has a 50% equity interest in a joint-venture to operate East Central Florida Outpatient Imaging, LLC (ECFOI). During the year ended September 30, 2016, EVHS received distributions of \$3.0 million from ECFOI and recognized its proportionate share of ECFOI's net income or loss by adjusting its equity interest balance. At September 30, 2016, EVHS had \$1.1 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, 2016, EVHS received no distributions from HB, and at September 30, 2016, EVHS had \$5.0 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 has a 50% equity interest in Daytona Area Senior Services, Inc. (DASS), d/b/a Halifax Health Care at Home, which provides home health services to the residents of the local area. During the year, EVHS received no distributions from DASS, and at September 30, 2016, EVHS had \$536,000 recorded as equity deficit interest in DASS that is included in other assets in the accompanying financial statements. DASS issues stand-alone financial statements.

Required Supplementary Information

Preliminary Draft - for Review and Discussion - Subject to Change

**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, 2016
(In thousands)**

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance, September 30, 2013	\$ 395,150	\$ 219,088	\$ 176,062
Interest	26,206	-	26,206
Difference between expected and actual experience	1,945	-	1,945
Contributions - employer	-	12,688	(12,688)
Net investment income	-	25,992	(25,992)
Benefit payments	(50,496)	(50,496)	-
Plan administrative expenses	-	(74)	74
Change in cash out assumption	(45,789)	-	(45,789)
Balance, September 30, 2014	327,016	207,198	119,818
Interest	21,572	-	21,572
Difference between expected and actual experience	4,324	-	4,324
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	337,835	225,016	112,819
Interest	22,294	-	22,294
Difference between expected and actual experience	(720)	-	(720)
Contributions - employer	-	15,218	(15,218)
Net investment income	-	(9,853)	9,853
Benefit payments	(15,356)	(15,356)	-
Plan administrative expenses	-	(114)	114
Balance, September 30, 2016	<u>\$ 344,053</u>	<u>\$ 214,911</u>	<u>\$ 129,142</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, 2016
(In thousands)**

Actuarial Valuation Date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Medical Center Proportionate Share (a-b) * 94.85%	Hospice Proportionate Share (a-b) * 5.15%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll
October 1, 2014	\$ 344,053	\$ 214,911	\$ 129,142	\$ 122,491	\$ 6,651	\$ 42,387	62%	305%
October 1, 2013	337,835	225,016	112,819	107,009	5,810	43,613	67	259
October 1, 2012	327,016	207,198	119,818	113,647	6,171	46,960	63	255

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, 2016
(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, 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.

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, 2014
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 MP2014
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, 2014, the Plan updated its assumptions regarding mortality tables to more reasonably reflect the actual experience of the Plan. This change in Plan assumption resulted in a decrease in the pension liability of approximately \$6.0 million at September 30, 2016. New mortality tables were issued in October 2016. Management is evaluating the impact on the financial statements.

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 three 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, 2016
(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, 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, 2016
(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, 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

Preliminary Draft - for Review and Discussion - Subject to Change

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position – Obligated Group
September 30, 2016
(In thousands)

Assets and Deferred Outflows

Current Assets:	
Cash and cash equivalents	\$ 57,343
Investments	171,636
Current assets whose use is limited:	
Trustee-held self-insurance funds	612
Accounts receivable, patients, net of estimated uncollectibles of \$152,773	58,820
Inventories	11,224
Other current assets	14,468
Total current assets	314,103
Noncurrent Assets Whose Use is Limited:	
Board-designated funded depreciation	42,403
Trustee-held funds	12,687
Depreciable Capital Assets, net	250,319
Nondepreciable Capital Assets	69,782
Investment in Affiliates	125,355
Other Assets	6,348
Total assets	820,997
Deferred Outflows:	
Interest rate swap	39,431
Pension, contribution after measurement date	20,142
Pension, other	16,248
Loss on refunding of debt	17,351
Goodwill, net	3,823
Total deferred outflows	96,995
Total assets and deferred outflows	\$ 917,992

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position – Obligated Group (Continued)
September 30, 2016
(In thousands)

Liabilities, Deferred Inflows and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	\$ 46,062
Accrued payroll and personal leave time	18,518
Current portion of accrued self-insurance liability	4,898
Current portion of long-term debt	5,160
Other current liabilities	6,637
Total current liabilities	81,275

Noncurrent Liabilities:

Long-term debt, less current portion	365,407
Net pension liability	122,492
Accrued self-insurance liability, less current portion	8,077
Other liabilities	23,226
Long-term value of interest rate swap	39,431
Total liabilities	639,908

Deferred Inflows Related to Pension

Total liabilities and deferred inflows	1,262
	641,170

Net Position:

Net investment in capital assets	(15,527)
Unrestricted	292,349
Total net position	276,822

Total liabilities, deferred inflows and net position	\$ 917,992
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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, 2016
(In thousands)

Operating Revenues:	
Net patient service revenue, before provision for bad debts	\$ 514,084
Provision for bad debts	(66,409)
Net patient service revenue	447,675
Ad valorem taxes	13,252
Other revenue	17,706
Total operating revenues	478,633
Operating Expenses:	
Salaries and benefits	229,502
Supplies	90,480
Purchased services	67,202
Depreciation and amortization	23,245
Ad valorem tax-related expenses	7,460
Leases and rentals	6,816
Other	25,500
Total operating expenses	450,205
Income from operations	28,428
Nonoperating Revenues (Expenses):	
Interest expense	(18,794)
Investment income — net	6,283
Donation revenue	550
Nonoperating gains (losses) — net	(14)
Income from affiliates	14,045
Total nonoperating expenses	2,070
Increase in net position	30,498
Net Position:	
Beginning of year	246,324
End of year	\$ 276,822

**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.

Halifax Health
Summary Financial Narrative
For the one month ended October 31, 2016

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 17	YTD Budget FY 17	YTD Actual vs. Budget	S&P "A"	YTD Actual FY 17 vs. S&P "A"
Total Margin	-10.6%	0.7%	Unfavorable	5.8%	Unfavorable
Operating Margin	-7.4%	-0.3%	Unfavorable	3.6%	Unfavorable
EBIDA Margin	-2.3%	8.3%	Unfavorable	13.1%	Unfavorable
Operating EBIDA Margin	0.8%	7.4%	Unfavorable	10.8%	Unfavorable
Adjusted Operating EBIDA Margin *	1.6%	7.2%	Unfavorable	N/A	N/A
Days Cash on Hand	244	262	Unfavorable	249	Unfavorable
Cash to Debt	91.8%	98.9%	Unfavorable	189.9%	Unfavorable
Debt to Capitalization	57.3%	56.0%	Unfavorable	29.1%	Unfavorable

OG MADS Coverage	0.36	1.80	Unfavorable	4.50	Unfavorable
OG Debt to Capitalization	56.3%	55.0%	Unfavorable	29.1%	Unfavorable

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

Halifax Health Medical Center

Statistical Summary--

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

Financial Summary --

- Net patient service revenue for the month is 1.4% less than budget.
- Total operating expenses for the month are 3.6% greater than budget.
- Loss from operations for the month of \$2.8 million compares unfavorably to the budgeted loss of \$406,000.
- Nonoperating gains/losses for the month of negative \$474,000, primarily consisting of investment losses of \$489,000, compare unfavorably to the budgeted gain of \$197,000.
- The decrease in net position for the month of \$3.3 million compares unfavorably to budget by \$3.1 million.

Halifax Health Hospice

Statistical Summary --

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

Financial Summary --

- Net patient service revenue for the month is 8.6% less than budget.
- Loss from operations for the month of \$108,000 compares unfavorably to the budget of \$4,000.
- Nonoperating gains/losses for the month of negative \$782,000, including investment losses of \$851,000, compare unfavorably to the budget gain of \$248,000.
- The decrease in net position for the month of \$890,000 compares unfavorably to budget by \$1.1 million.

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>2015</u>	<u>2016</u>	<u>Budget</u>	<u>Var.</u>		<u>2015</u>	<u>2016</u>	<u>Budget</u>	<u>Var.</u>
<u>Inpatient Activity</u>								
1,698	1,518	1,686	-10.0%	HHMC Adult/Ped Admissions	1,698	1,518	1,686	-10.0%
121	146	163	-10.4%	HHMCPO Adult/Ped Admissions	121	146	163	-10.4%
121	128	151	-15.2%	Adult Psych Admissions	121	128	151	-15.2%
63	56	51	9.8%	Rehabilitative Admissions	63	56	51	9.8%
2,003	1,848	2,051	-9.9%	Total Adult/Ped Admissions	2,003	1,848	2,051	-9.9%
8,409	8,837	8,440	4.7%	HHMC Adult/Ped Patient Days	8,409	8,837	8,440	4.7%
434	769	783	-1.8%	HHMCPO Adult/Ped Patient Days	434	769	783	-1.8%
1,560	1,534	1,574	-2.5%	Adult Psych Patient Days	1,560	1,534	1,574	-2.5%
886	870	866	0.5%	Rehabilitative Patient Days	886	870	866	0.5%
11,289	12,010	11,663	3.0%	Total Adult/Ped Patient Days	11,289	12,010	11,663	3.0%
5.0	5.8	5.0	16.3%	HHMC Average Length of Stay	5.0	5.8	5.0	16.3%
3.6	5.3	4.8	9.6%	HHMCPO Average Length of Stay	3.6	5.3	4.8	9.6%
4.9	5.8	5.0	15.7%	HHMC/ HHMCPO Average Length of Stay	4.9	5.8	5.0	15.7%
12.9	12.0	10.4	15.0%	Adult Psych Average Length of Stay	12.9	12.0	10.4	15.0%
14.1	15.5	17.0	-8.5%	Rehabilitative Length of Stay	14.1	15.5	17.0	-8.5%
5.6	6.5	5.7	14.3%	Total Average Length of Stay	5.6	6.5	5.7	14.3%
364	387	376	3.0%	Total Average Daily Census	364	387	376	3.0%
551	593	599	-1.0%	HHMC Observation Patient Day Equivalents	551	593	599	-1.0%
74	126	82	53.66%	HHMCPO Observation Patient Day Equivalents	74	126	82	53.7%
625	719	681	5.6%	Total Observation Patient Day Equivalents	625	719	681	5.6%
20	23	22	4.5%	Observation Average Daily Census	20	23	22	4.5%
187	118	184	-35.9%	HHMC Newborn Births	187	118	184	-35.9%
348	234	350	-33.1%	HHMC Nursery Patient Days	348	234	350	-33.1%
473	451	507	-11.0%	HHMC Inpatient Surgeries	473	451	507	-11.0%
1	3	1	200.0%	HHMCPO Inpatient Surgeries	1	3	1	200.0%
474	454	508	-10.6%	Total Inpatient Surgeries	474	454	508	-10.6%
<u>Inpatient Surgeries</u>								
192	191			Orthopedics	192	191		
92	67			General Surgery	92	67		
47	41			Neurosurgery	47	41		
20	29			Thoracic	20	29		
11	22			Podiatry	11	22		
112	104			All Other	112	104		
474	454	508	-10.6%	Total Inpatient Surgeries	474	454	508	-10.6%

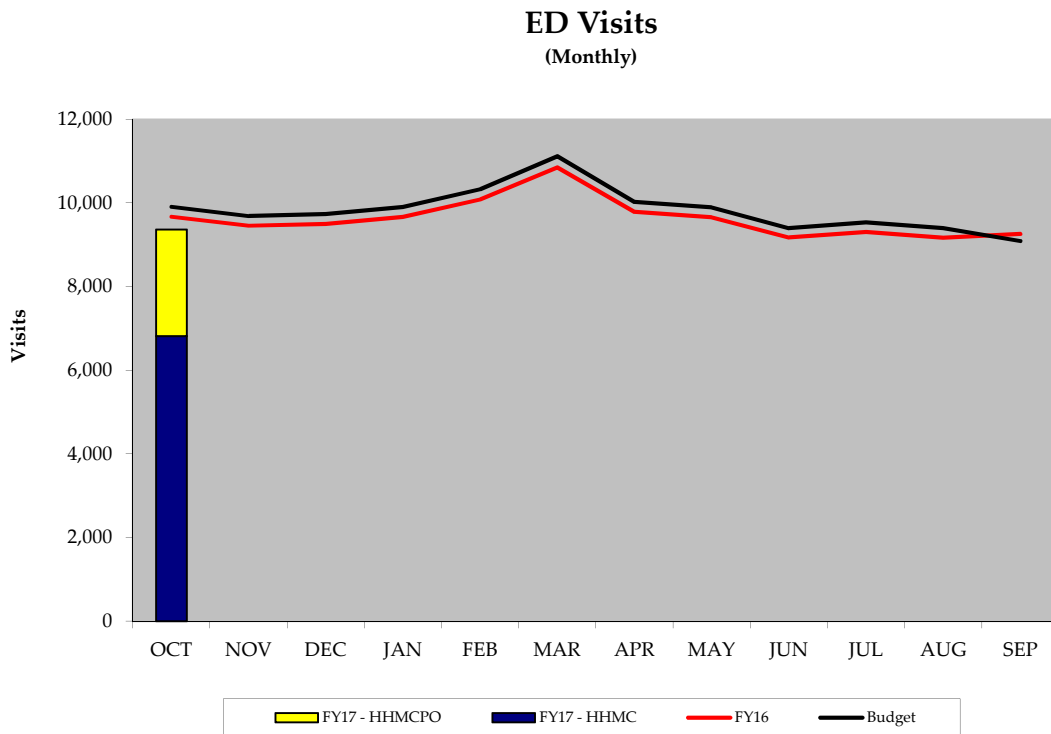
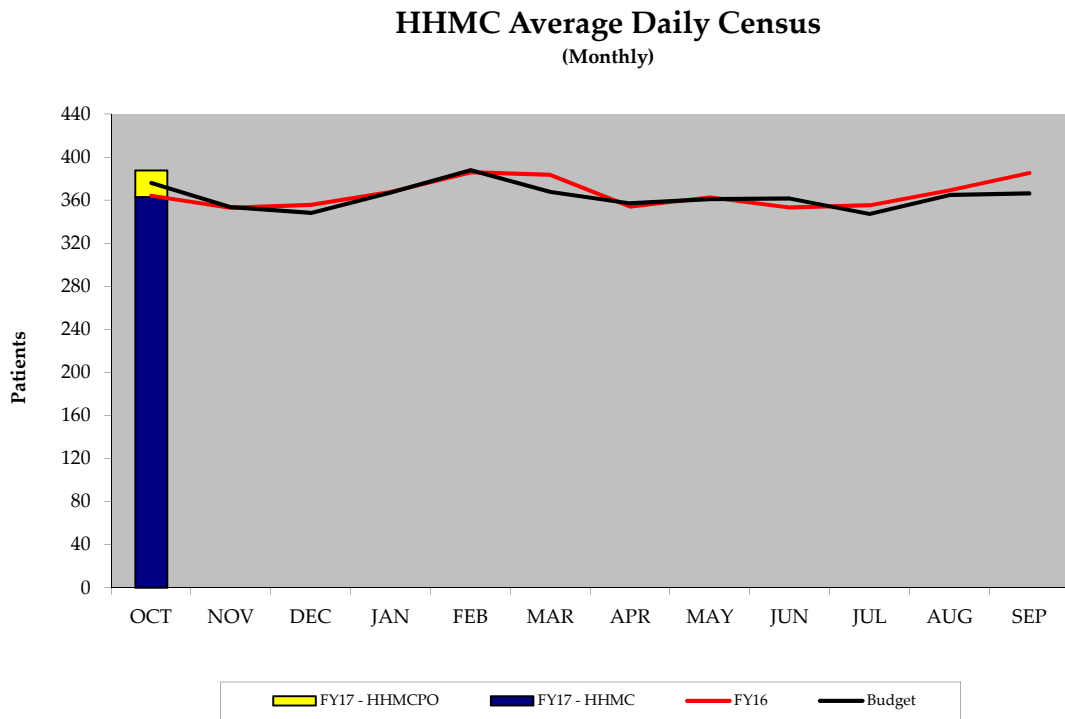
Halifax Health Statistical Summary

Month Ended October 31,					One Month Ended October 31,			
<u>2015</u>	<u>2016</u>	<u>Budget</u>	<u>Var.</u>		<u>2015</u>	<u>2016</u>	<u>Budget</u>	<u>Var.</u>
<u>Outpatient Activity</u>								
7,041	6,821	7,166	-4.8%	HHMC ED Registrations	7,041	6,821	7,166	-4.8%
2,632	2,542	2,743	-7.3%	HHMCPO ED Registrations	2,632	2,542	2,743	-7.3%
9,673	9,363	9,909	-5.5%	Total ED	9,673	9,363	9,909	-5.5%
395	379	379	0.0%	HHMC Outpatient Surgeries	395	379	379	0.0%
99	68	101	-32.7%	HPC Outpatient Surgeries	99	68	101	-32.7%
0	0	0	0.0%	HHMCPO Outpatient Surgeries	0	0	0	0.0%
380	348	379	-8.2%	Twin Lakes Surgeries	380	348	379	-8.2%
874	795	859	-7.5%	Total Outpatient Surgeries	874	795	859	-7.5%
<u>Outpatient Surgeries</u>								
169	143			Orthopedics	169	143		
167	182			General Surgery	167	182		
133	94			Gastroenterology	133	94		
82	70			OB/GYN	82	70		
71	52			Ophthalmology	71	52		
252	254			All Other	252	254		
874	795	859	-7.5%	Total Outpatient Surgeries	874	795	859	-7.5%
<u>Cardiology Procedures</u>								
15	15			Open Heart Cases	15	15		
128	139			Cardiac Caths	128	139		
45	29			CRM Devices	45	29		
24	39			EP Studies	24	39		
212	222	196	13.3%	Total Cardiology Procedures	212	222	196	13.3%
<u>Interventional Radiology Procedures</u>								
9	7	9	-22.2%	Vascular	9	7	9	-22.2%
279	144	191	-24.6%	Nonvascular	279	144	191	-24.6%
288	151	200	-24.5%	Total Interventional Radiology Procedures	288	151	200	-24.5%
206	185	178	3.9%	GI Lab Procedures	206	185	178	3.9%
<u>HH Hospice Activity</u>								
<u>Patient Days</u>								
17,787	14,970	17,050	-12.2%	Volusia/ Flagler	17,787	14,970	17,050	-12.2%
205.0	789	620	27.3%	Orange/ Osceola	205.0	789	620	27.3%
17,992	15,759	17,670	-10.8%	HH Hospice Patient Days	17,992	15,759	17,670	-10.8%
<u>Average Daily Census</u>								
574	483	550	-12.2%	Volusia/ Flagler	574	483	550	-12.2%
7	25	20	27.3%	Orange/ Osceola	7	25	20	27.3%
581	508	570	-10.8%	HH Hospice Average Daily Census	581	508	570	-10.8%

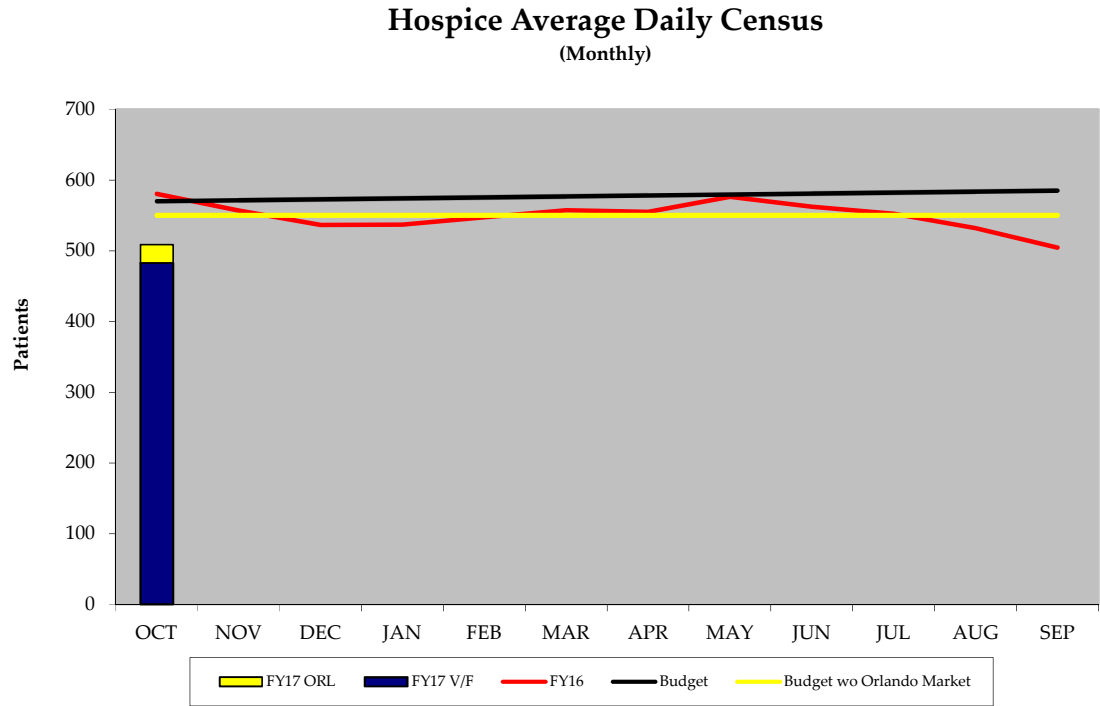
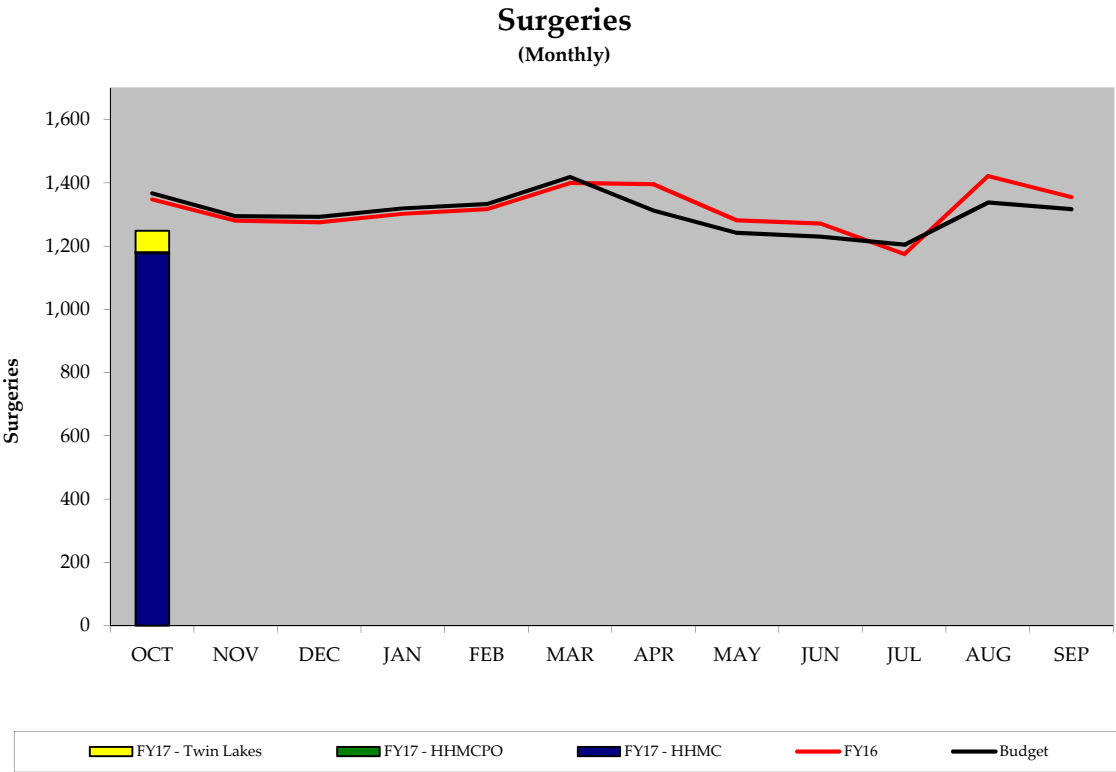
Halifax Health Statistical Summary

Month Ended October 31,				One Month Ended October 31,			
<u>2015</u>	<u>2016</u>	<u>Budget</u>	<u>Var.</u>	<u>2015</u>	<u>2016</u>	<u>Budget</u>	<u>Var.</u>
<u>Physician Practice Activity</u>							
<u>Primary Care Visits</u>							
292	256	687	-62.7%	292	256	687	-62.7%
1,111	1,053	1,108	-5.0%	1,111	1,053	1,108	-5.0%
87	659	334	97.3%	87	659	334	97.3%
459	316	600	-47.3%	459	316	600	-47.3%
332	421	743	-43.3%	332	421	743	-43.3%
2,281	2,705	3,472	-22.1%	2,281	2,705	3,472	-22.1%
<u>Children's Medical Center Visits</u>							
821	814	1,290	-36.9%	821	814	1,290	-36.9%
469	293	481	-39.1%	469	293	481	-39.1%
532	447	563	-20.6%	532	447	563	-20.6%
1,822	1,554	2,334	-33.4%	1,822	1,554	2,334	-33.4%
<u>Community Clinic Visits</u>							
407	343	386	-11.1%	407	343	386	-11.1%
463	207	463	-55.3%	463	207	463	-55.3%
870	550	849	-35.2%	870	550	849	-35.2%

Halifax Health
Statistical Summary - Graphic



Halifax Health Statistical Summary - Graphic



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

	October 31,		
	2016	2015	Change
<u>Assets</u>			
Cash and cash equivalents	\$33,178	\$34,868	(\$1,690)
Investments	265,077	249,162	15,915
Board designated assets	44,972	44,423	549
Accounts receivable	62,676	59,689	2,987
Restricted assets whose use is limited	19,161	26,786	(7,625)
Other assets	52,875	58,494	(5,619)
Deferred outflow - swap	39,308	33,004	6,304
Deferred outflow - loss on bond refunding	17,302	6,723	10,579
Deferred outflow - pension	58,096	28,856	29,240
Property, plant and equipment	355,212	361,057	(5,845)
Total Assets	<u>\$947,857</u>	<u>\$903,062</u>	<u>\$44,795</u>
<u>Liabilities and Net position</u>			
Accounts payable	\$29,588	\$29,363	\$225
Other liabilities	96,481	97,644	(1,163)
Net pension liability	130,126	127,904	2,222
Long-term debt	354,199	346,550	7,649
Premium on LTD, net	19,876	9,588	10,288
Long-term value of swap	39,308	33,004	6,304
Net position	<u>278,279</u>	<u>259,009</u>	<u>19,270</u>
Total Liabilities and Net position	<u>\$947,857</u>	<u>\$903,062</u>	<u>\$44,795</u>

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

Month ended October 31, 2016	Month ended October 31, 2015	Variance		One Month ended October 31, 2016	One Month ended October 31, 2015	Variance
			Cash flows from operating activities:			
\$38,440	\$41,534	(\$3,094)	Receipts from third party payors and patients	\$38,440	\$41,534	(\$3,094)
(43,296)	(37,733)	(5,563)	Payments to employees	(43,296)	(37,733)	(5,563)
(17,050)	(20,016)	2,966	Payments to suppliers	(17,050)	(20,016)	2,966
46	38	8	Receipt of ad valorem taxes	46	38	8
-	(2,561)	2,561	Receipt (payment) of State UPL funds, net	-	(2,561)	2,561
2,674	2,264	410	Other receipts	2,674	2,264	410
(3,570)	(3,576)	6	Other payments	(3,570)	(3,576)	6
(22,756)	(20,050)	(2,706)	Net cash used in operating activities	(22,756)	(20,050)	(2,706)
			Cash flows from noncapital financing activities:			
84	97	(13)	Proceeds from donations received	84	97	(13)
-	(8)	8	Nonoperating gain (loss)	-	(8)	8
84	89	(5)	Net cash provided by noncapital financing activities	84	89	(5)
			Cash flows from capital and related financing activities:			
(2,088)	(388)	(1,700)	Acquisition of capital assets	(2,088)	(388)	(1,700)
(195)	(190)	(5)	Payment of long-term debt	(195)	(190)	(5)
(380)	(308)	(72)	Payment of interest on long-term debt	(380)	(308)	(72)
(2,663)	(886)	(1,777)	Net cash used in capital financing activities	(2,663)	(886)	(1,777)
			Cash flows from investing activities:			
172	1,354	(1,182)	Realized investment income (loss)	172	1,354	(1,182)
(247)	(4,421)	4,174	Purchases of investments/limited use assets	(247)	(4,421)	4,174
15	3,029	(3,014)	Sales/Maturities of investments/limited use assets	15	3,029	(3,014)
(60)	(38)	(22)	Net cash used in investing activities	(60)	(38)	(22)
(25,395)	(20,885)	(4,510)	Net decrease in cash and cash equivalents	(25,395)	(20,885)	(4,510)
58,573	55,753	2,820	Cash and cash equivalents at beginning of period	58,573	55,753	2,820
\$33,178	\$34,868	(\$1,690)	Cash and cash equivalents at end of period	\$33,178	\$34,868	(\$1,690)

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

Actual Month Ended October 31, 2016	Actual Month Ended October 31, 2015	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2016	Actual One Month Ended October 31, 2015	Favorable (Unfavorable) Variance
			Operating revenues:			
\$49,674	\$49,291	\$383	Net patient service revenue, before provision for bad debts	\$49,674	\$49,291	\$383
(9,228)	(9,195)	(33)	Provision for bad debts	(9,228)	(9,195)	(33)
40,446	40,096	350	Net patient service revenue	40,446	40,096	350
938	1,104	(166)	Ad valorem taxes	938	1,104	(166)
1,201	3,364	(2,163)	Other revenue	1,201	3,364	(2,163)
42,585	44,564	(1,979)	Total operating revenues	42,585	44,564	(1,979)
			Operating expenses:			
24,615	21,671	(2,944)	Salaries and benefits	24,615	21,671	(2,944)
5,995	6,303	308	Purchased services	5,995	6,303	308
8,043	7,640	(403)	Supplies	8,043	7,640	(403)
2,026	2,030	4	Depreciation and amortization	2,026	2,030	4
1,438	1,460	22	Interest	1,438	1,460	22
614	600	(14)	Ad valorem tax related expenses	614	600	(14)
722	777	55	Leases and rentals	722	777	55
2,275	2,239	(36)	Other	2,275	2,239	(36)
45,728	42,720	(3,008)	Total operating expenses	45,728	42,720	(3,008)
(3,143)	1,844	(4,987)	Excess (deficiency) of operating revenues over expenses	(3,143)	1,844	(4,987)
			Nonoperating revenues, expenses, and gains/(losses):			
172	1,354	(1,182)	Realized investment income/(losses)	172	1,354	(1,182)
(1,512)	1,486	(2,998)	Unrealized investment income/(losses)	(1,512)	1,486	(2,998)
123	96	27	Donation revenue	123	96	27
-	-	-	Interest - bond issue costs	-	-	-
(39)	(8)	(31)	Nonoperating gains/(losses), net	(39)	(8)	(31)
(1,256)	2,928	(4,184)	Total nonoperating revenues, expenses, and gains/(losses)	(1,256)	2,928	(4,184)
(\$4,399)	\$4,772	(\$9,171)	Increase (decrease) in net position	(\$4,399)	\$4,772	(\$9,171)

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

Actual	Static Budget	Favorable		Actual	Static Budget	Favorable
Month Ended	Month Ended	(Unfavorable)		One Month Ended	One Month Ended	(Unfavorable)
October 31, 2016	October 31, 2016	Variance		October 31, 2016	October 31, 2016	Variance
			Operating revenues:			
\$49,674	\$47,207	\$2,467	Net patient service revenue, before provision for bad debts	\$49,674	\$47,207	\$2,467
(9,228)	(5,902)	(3,326)	Provision for bad debts	(9,228)	(5,902)	(3,326)
40,446	41,305	(859)	Net patient service revenue	40,446	41,305	(859)
938	938	-	Ad valorem taxes	938	938	-
1,201	2,173	(972)	Other revenue	1,201	2,173	(972)
42,585	44,416	(1,831)	Total operating revenues	42,585	44,416	(1,831)
			Operating expenses:			
24,615	23,762	(853)	Salaries and benefits	24,615	23,762	(853)
5,995	5,835	(160)	Purchased services	5,995	5,835	(160)
8,043	7,966	(77)	Supplies	8,043	7,966	(77)
2,026	1,916	(110)	Depreciation and amortization	2,026	1,916	(110)
1,438	1,412	(26)	Interest	1,438	1,412	(26)
614	621	7	Ad valorem tax related expenses	614	621	7
722	703	(19)	Leases and rentals	722	703	(19)
2,275	2,243	(32)	Other	2,275	2,243	(32)
45,728	44,458	(1,270)	Total operating expenses	45,728	44,458	(1,270)
(3,143)	(42)	(3,101)	Deficiency of operating revenues over expenses	(3,143)	(42)	(3,101)
			Nonoperating revenues, expenses, and gains/(losses):			
172	385	(213)	Realized investment income/(losses)	172	385	(213)
(1,512)	-	(1,512)	Unrealized investment income/(losses)	(1,512)	-	(1,512)
123	60	63	Donation revenue	123	60	63
-	-	-	Interest - bond issue costs	-	-	-
(39)	-	(39)	Nonoperating gains/(losses), net	(39)	-	(39)
(1,256)	445	(1,701)	Total nonoperating revenues, expenses, and gains/(losses)	(1,256)	445	(1,701)
(\$4,399)	\$403	(\$4,802)	Increase (decrease) in net position	(\$4,399)	\$403	(\$4,802)

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

Actual Month Ended October 31, 2016	Static Budget Month Ended October 31, 2016	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2016	Static Budget One Month Ended October 31, 2016	Favorable (Unfavorable) Variance
			Operating revenues:			
\$46,254	\$43,480	\$2,774	Net patient service revenue, before provision for bad debts	\$46,254	\$43,480	\$2,774
(9,123)	(5,803)	(3,320)	Provision for bad debts	(9,123)	(5,803)	(3,320)
37,131	37,677	(546)	Net patient service revenue	37,131	37,677	(546)
938	938	-	Ad valorem taxes	938	938	-
1,015	1,457	(442)	Other revenue	1,015	1,457	(442)
39,084	40,072	(988)	Total operating revenues	39,084	40,072	(988)
			Operating expenses:			
22,445	21,572	(873)	Salaries and benefits	22,445	21,572	(873)
5,096	4,733	(363)	Purchased services	5,096	4,733	(363)
7,822	7,732	(90)	Supplies	7,822	7,732	(90)
1,887	1,777	(110)	Depreciation and amortization	1,887	1,777	(110)
1,426	1,400	(26)	Interest	1,426	1,400	(26)
614	621	7	Ad valorem tax related expenses	614	621	7
563	537	(26)	Leases and rentals	563	537	(26)
2,065	1,994	(71)	Other	2,065	1,994	(71)
41,918	40,366	(1,552)	Total operating expenses	41,918	40,366	(1,552)
(2,834)	(294)	(2,540)	Deficiency of operating revenues over expenses	(2,834)	(294)	(2,540)
			Nonoperating revenues, expenses, and gains/(losses):			
121	197	(76)	Realized investment income/(losses)	121	197	(76)
(610)	-	(610)	Unrealized investment income/(losses)	(610)	-	(610)
15	-	15	Donation revenue	15	-	15
(474)	197	(671)	Total nonoperating revenues, expenses, and gains/(losses)	(474)	197	(671)
(\$3,308)	(\$97)	(\$3,211)	Decrease in net position	(\$3,308)	(\$97)	(\$3,211)

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

Actual Month Ended October 31, 2015		Actual Month Ended October 31, 2016		Static Budget Month Ended October 31, 2016			Actual One Month Ended October 31, 2015		Actual One Month Ended October 31, 2016		Static Budget One Month Ended October 31, 2016	
\$135,509	100.00%	\$144,595	100.00%	\$146,764	100.00%	Gross charges	\$135,509	100.00%	\$144,595	100.00%	\$146,764	100.00%
(4,499)	-3.32%	(8,662)	-5.99%	(8,545)	-5.82%	Charity	(4,499)	-3.32%	(8,662)	-5.99%	(8,545)	-5.82%
(85,595)	-63.17%	(89,679)	-62.02%	(94,739)	-64.55%	Contractual adjustments	(85,595)	-63.17%	(89,679)	-62.02%	(94,739)	-64.55%
45,415	33.51%	46,254	31.99%	43,480	29.63%	Gross charges, before provision for bad debts	45,415	33.51%	46,254	31.99%	43,480	29.63%
(9,198)	-6.79%	(9,123)	-6.31%	(5,803)	-3.95%	Provision for bad debts	(9,198)	-6.79%	(9,123)	-6.31%	(5,803)	-3.95%
\$36,217	26.73%	\$37,131	25.68%	\$37,677	25.67%	Net patient service revenue	\$36,217	26.73%	\$37,131	25.68%	\$37,677	25.67%

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

Actual Month Ended October 31, 2016	Static Budget Month Ended October 31, 2016	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2016	Static Budget One Month Ended October 31, 2016	Favorable (Unfavorable) Variance
			Operating revenues:			
\$3,420	\$3,727	(\$307)	Net patient service revenue, before provision for bad debts	\$3,420	\$3,727	(\$307)
(105)	(99)	(6)	Provision for bad debts	(105)	(99)	(6)
3,315	3,628	(313)	Net patient service revenue	3,315	3,628	(313)
155	199	(44)	Other revenue	155	199	(44)
3,470	3,827	(357)	Total operating revenues	3,470	3,827	(357)
			Operating expenses:			
2,095	2,115	20	Salaries and benefits	2,095	2,115	20
866	1,063	197	Purchased services	866	1,063	197
221	233	12	Supplies	221	233	12
72	72	-	Depreciation and amortization	72	72	-
154	161	7	Leases and rentals	154	161	7
170	179	9	Other	170	179	9
3,578	3,823	245	Total operating expenses	3,578	3,823	245
(108)	4	(112)	Excess (deficiency) of operating revenues over expenses	(108)	4	(112)
			Nonoperating revenues, expenses, and gains/(losses):			
51	188	(137)	Realized investment income/(losses)	51	188	(137)
(902)	-	(902)	Unrealized investment income/(losses)	(902)	-	(902)
108	60	48	Donation revenue	108	60	48
(39)	-	(39)	Nonoperating gains/(losses), net	(39)	-	(39)
(782)	248	(1,030)	Total nonoperating revenues, expenses, and gains/(losses)	(782)	248	(1,030)
(\$890)	\$252	(\$1,142)	Increase (decrease) in net position	(\$890)	\$252	(\$1,142)

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

Actual Month Ended October 31, 2016	Static Budget Month Ended October 31, 2016	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2016	Static Budget One Month Ended October 31, 2016	Favorable (Unfavorable) Variance
\$0	\$0	\$0	Operating revenues:			
-	-	-	Net patient service revenue, before provision for bad debts	\$0	\$0	\$0
-	-	-	Provision for bad debts	-	-	-
342	341	1	Net patient service revenue	-	-	-
342	341	1	Other revenue	342	341	1
			Total operating revenues	342	341	1
			Operating expenses:			
65	65	-	Salaries and benefits	65	65	-
32	35	3	Purchased services	32	35	3
-	1	1	Supplies	-	1	1
67	67	-	Depreciation and amortization	67	67	-
12	12	-	Interest	12	12	-
5	5	-	Leases and rentals	5	5	-
1	3	2	Other	1	3	2
182	188	6	Total operating expenses	182	188	6
160	153	7	Excess of operating revenues over expenses	160	153	7
			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)	-	-	-
\$160	\$153	\$7	Increase in net position	\$160	\$153	\$7

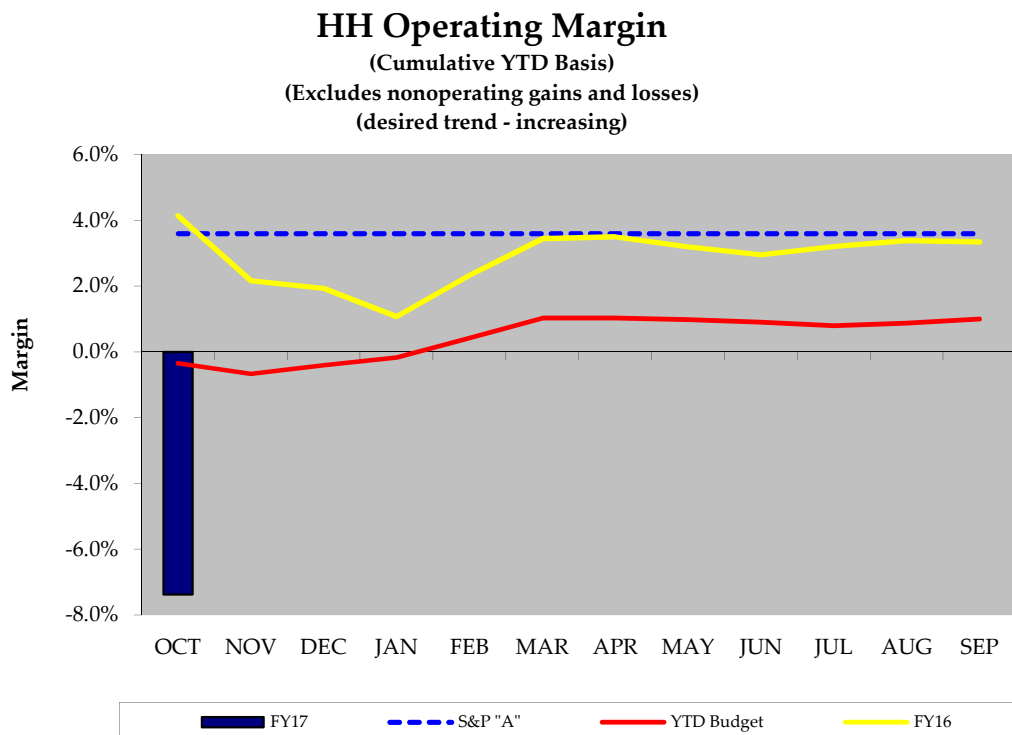
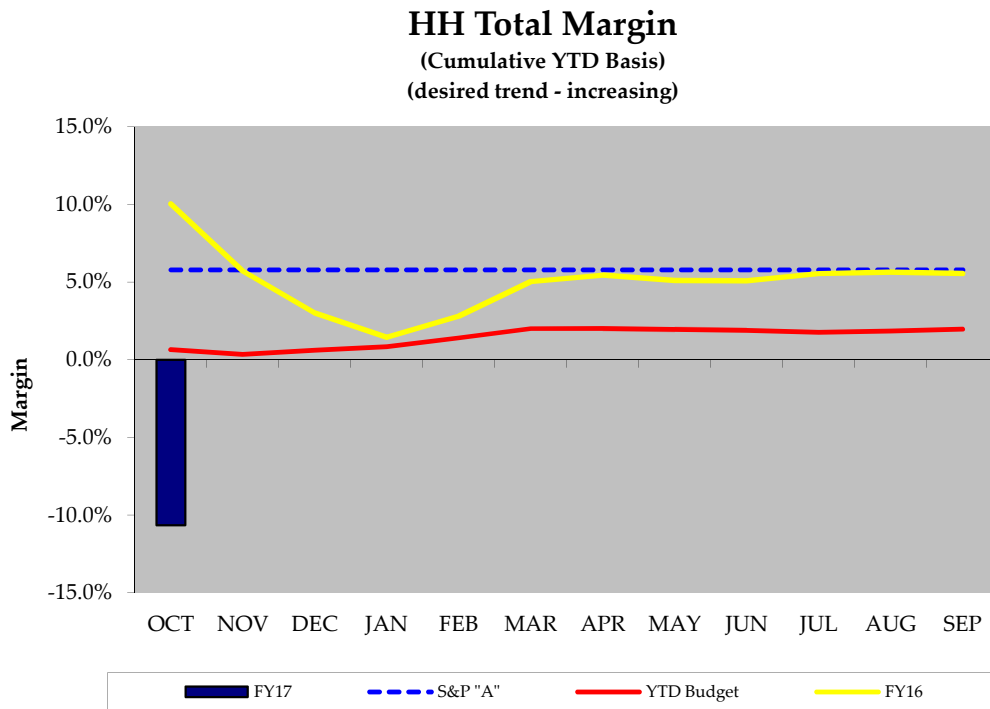
Halifax Health Foundation
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual	Static Budget	Favorable		Actual	Static Budget	Favorable
Month Ended	Month Ended	(Unfavorable)		One Month Ended	One Month Ended	(Unfavorable)
October 31, 2016	October 31, 2016	Variance		October 31, 2016	October 31, 2016	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	-	-	-
31	105	(74)	Realized investment income/(losses)	31	105	(74)
(407)	-	(407)	Unrealized investment income/(losses)	(407)	-	(407)
65	71	(6)	Donation revenue	65	71	(6)
-	-	-	Other revenue	-	-	-
(311)	176	(487)	Total operating revenues	(311)	176	(487)
			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	-	-	-
39	67	28	Other	39	67	28
50	81	31	Total operating expenses	50	81	31
(\$361)	\$95	(\$456)	Increase (decrease) in net position	(\$361)	\$95	(\$456)

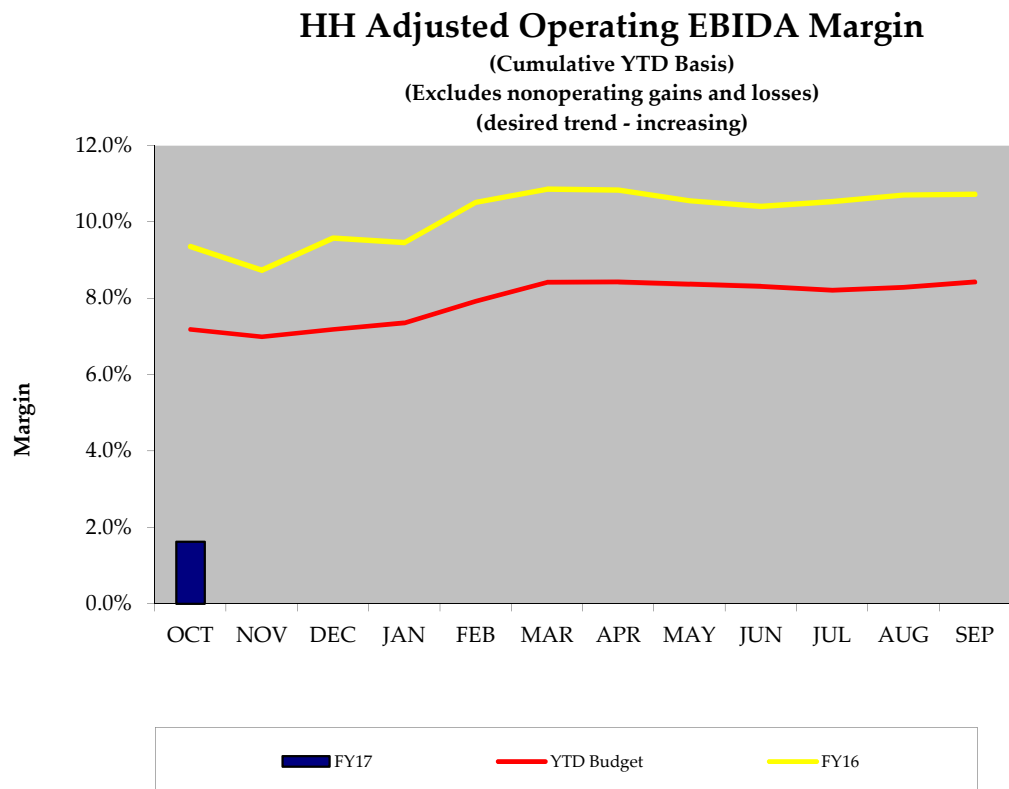
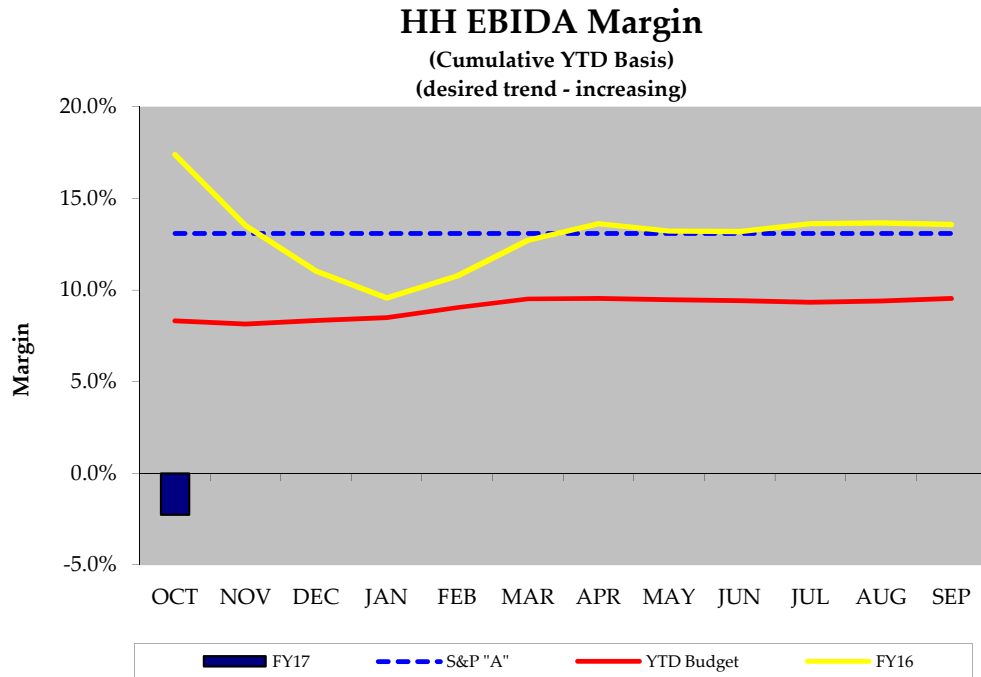
Halifax Health Medical Center (Obligated Group)
Statements of Revenues, Expenses and Changes in Net Position
(\$ in thousands)

Actual Month Ended October 31, 2016	Static Budget Month Ended October 31, 2016	Favorable (Unfavorable) Variance		Actual One Month Ended October 31, 2016	Static Budget One Month Ended October 31, 2016	Favorable (Unfavorable) Variance
			Operating revenues:			
\$46,254	\$43,480	\$2,774	Net patient service revenue, before provision for bad debts	\$46,254	\$43,480	\$2,774
(9,123)	(5,803)	(3,320)	Provision for bad debts	(9,123)	(5,803)	(3,320)
37,131	37,677	(546)	Net patient service revenue	37,131	37,677	(546)
938	938	-	Ad valorem taxes	938	938	-
1,015	1,457	(442)	Other revenue	1,015	1,457	(442)
39,084	40,072	(988)	Total operating revenues	39,084	40,072	(988)
			Operating expenses:			
22,445	21,572	(873)	Salaries and benefits	22,445	21,572	(873)
5,096	4,733	(363)	Purchased services	5,096	4,733	(363)
7,822	7,732	(90)	Supplies	7,822	7,732	(90)
1,887	1,777	(110)	Depreciation and amortization	1,887	1,777	(110)
1,426	1,400	(26)	Interest	1,426	1,400	(26)
614	621	7	Ad valorem tax related expenses	614	621	7
563	537	(26)	Leases and rentals	563	537	(26)
2,065	1,994	(71)	Other	2,065	1,994	(71)
41,918	40,366	(1,552)	Total operating expenses	41,918	40,366	(1,552)
(2,834)	(294)	(2,540)	Deficiency of operating revenues over expenses	(2,834)	(294)	(2,540)
			Nonoperating revenues, expenses, and gains/(losses):			
121	197	(76)	Realized investment income/(losses)	121	197	(76)
(610)	-	(610)	Unrealized investment income/(losses)	(610)	-	(610)
15	-	15	Donation revenue	15	-	15
-	-	-	Interest - Bond issue costs	-	-	-
-	-	-	Nonoperating gains/(losses), net	-	-	-
(474)	197	(671)	Total nonoperating revenues, expenses, and gains/(losses)	(474)	197	(671)
(3,308)	(97)	(3,211)	Decrease in net position before other changes in net position	(3,308)	(97)	(3,211)
(1,091)	500	(1,591)	Income/(losses) from affiliates	(1,091)	500	(1,591)
(\$4,399)	\$403	(\$4,802)	Increase (decrease) in net position	(\$4,399)	\$403	(\$4,802)

Halifax Health Financial Summary - Graphic



Halifax Health Financial Summary - Graphic



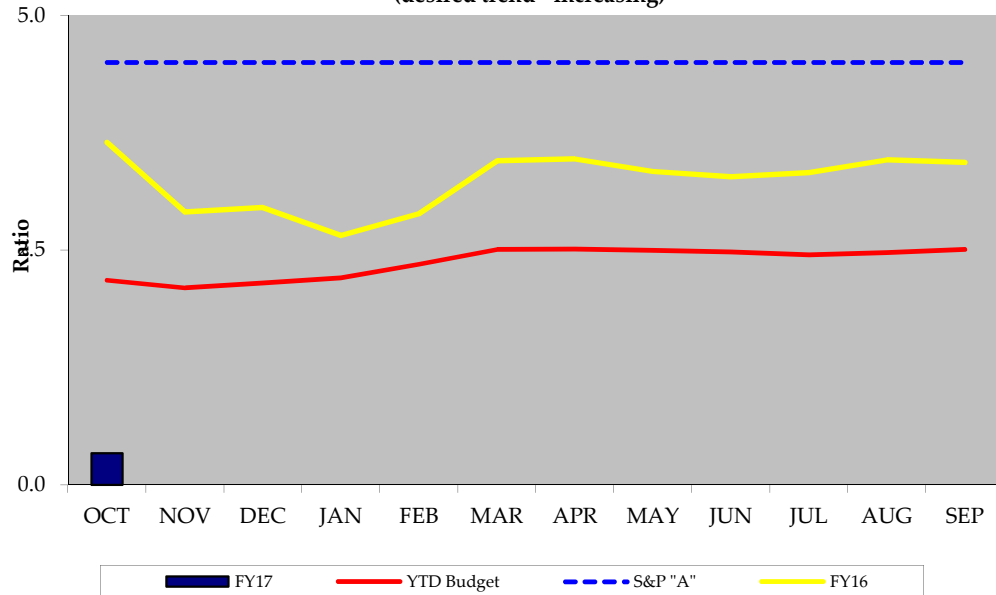
Halifax Health Financial Summary - Graphic

HH MADS Coverage Ratio

(Annualized Basis)

(Excludes unrealized investment gains/losses in accordance with covenant requirements)

(desired trend - increasing)

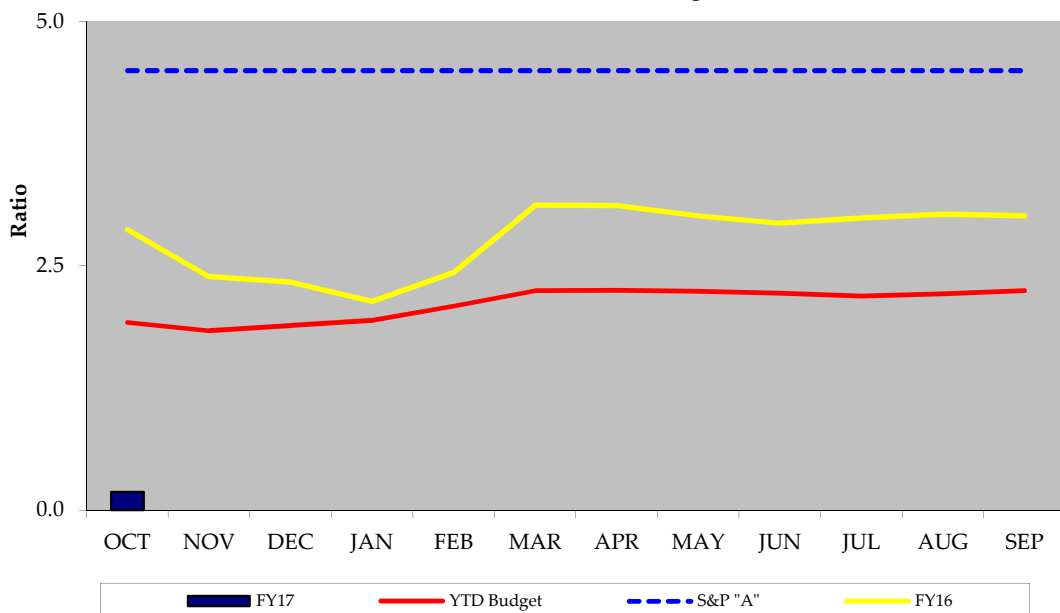


HH MADS Coverage Ratio - Operations Only

(Annualized Basis)

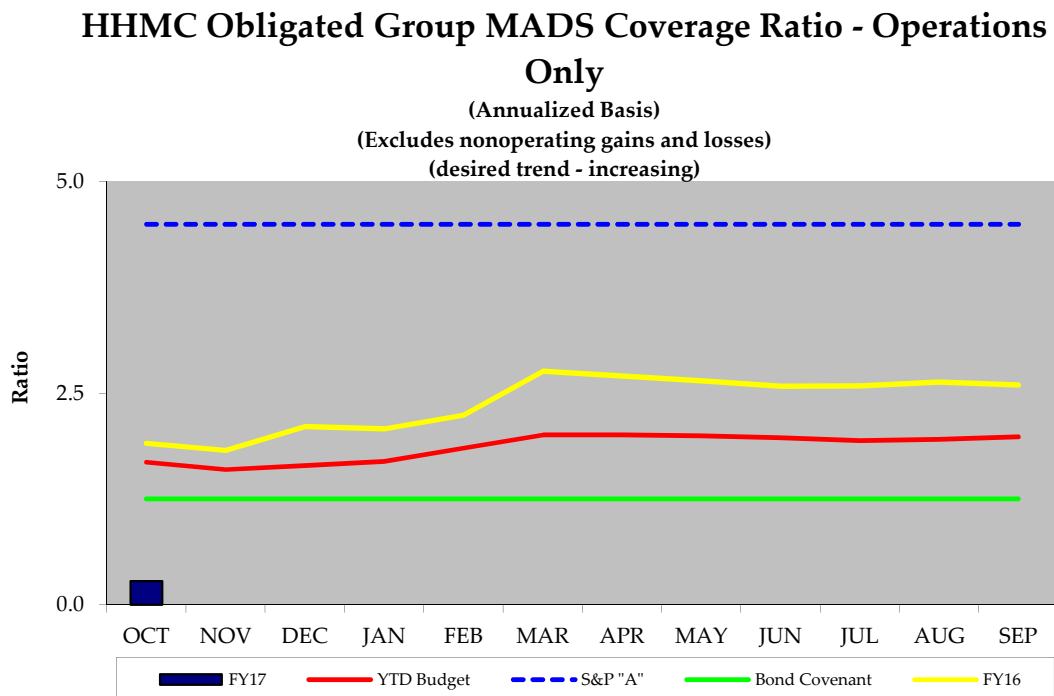
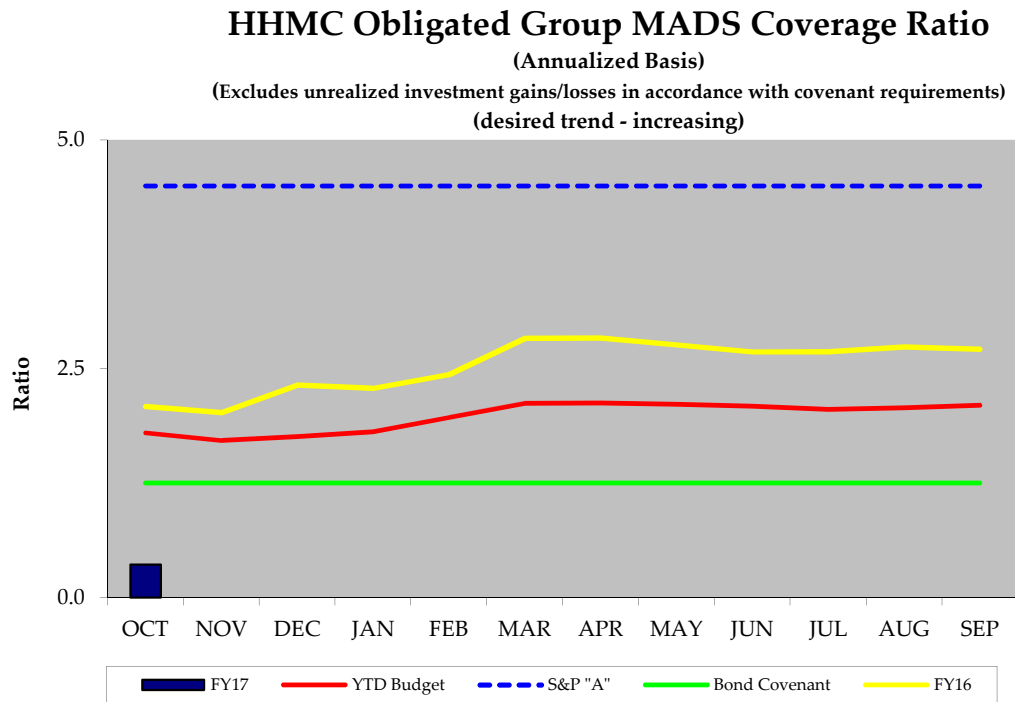
(Excludes nonoperating gains and losses)

(desired trend - increasing)



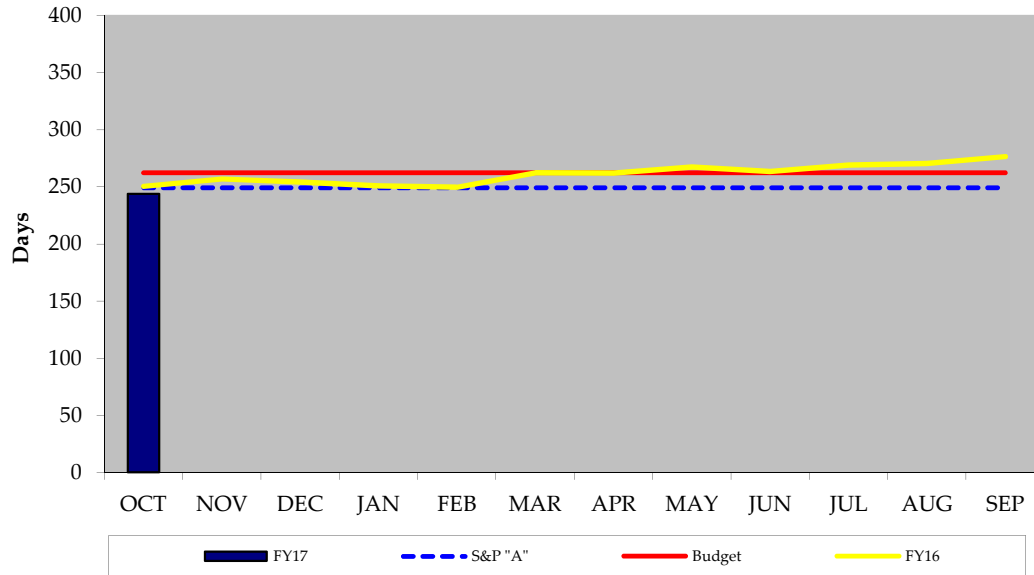
Halifax Health

Financial Summary - Graphic

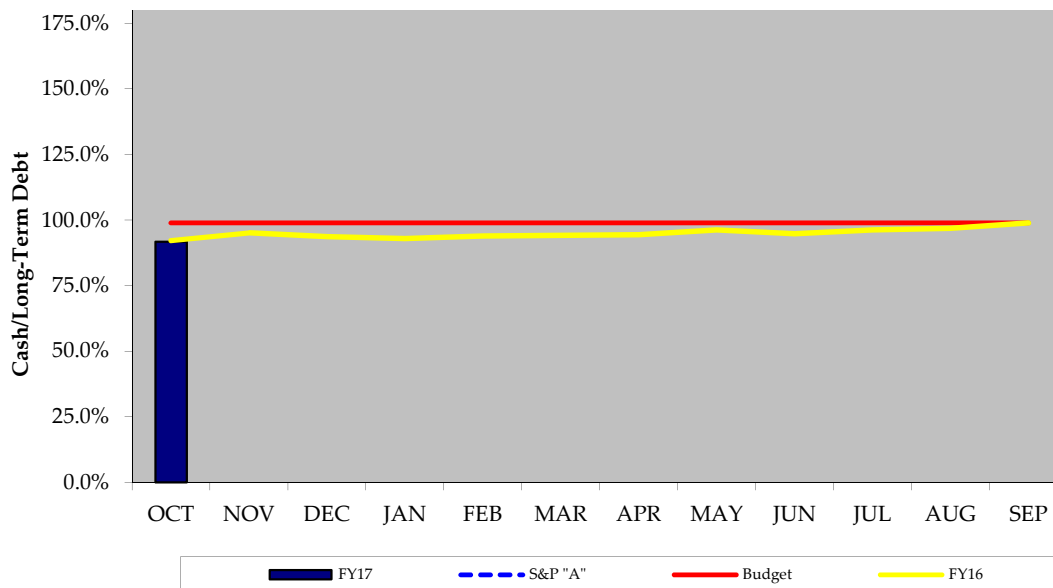


Halifax Health Financial Summary - Graphic

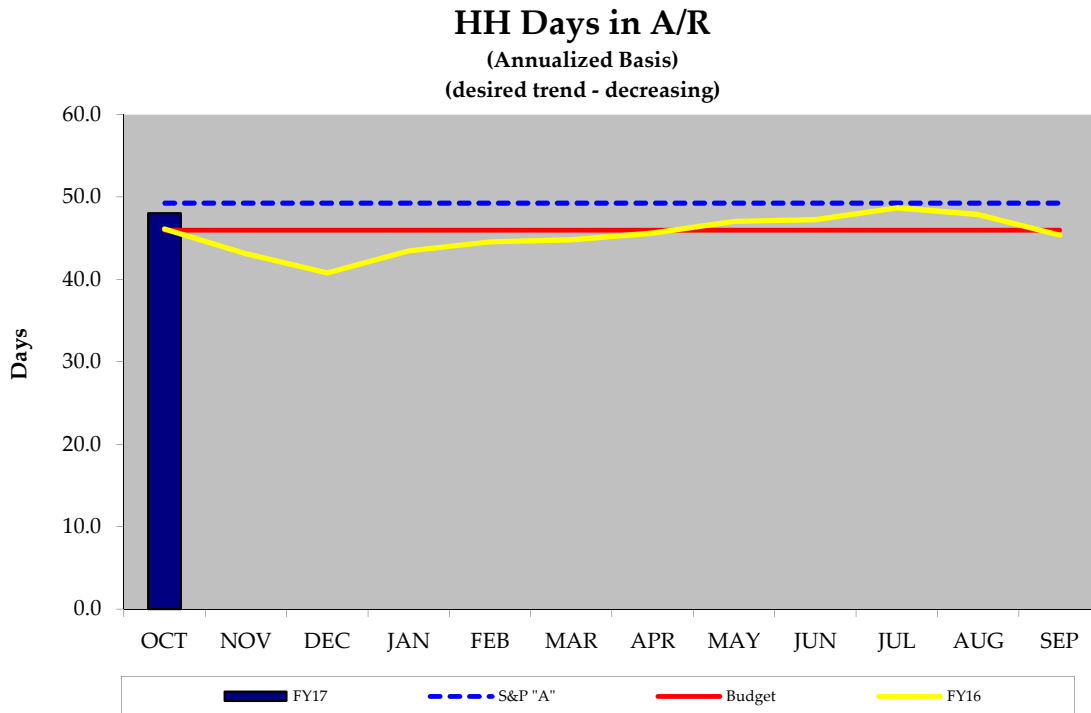
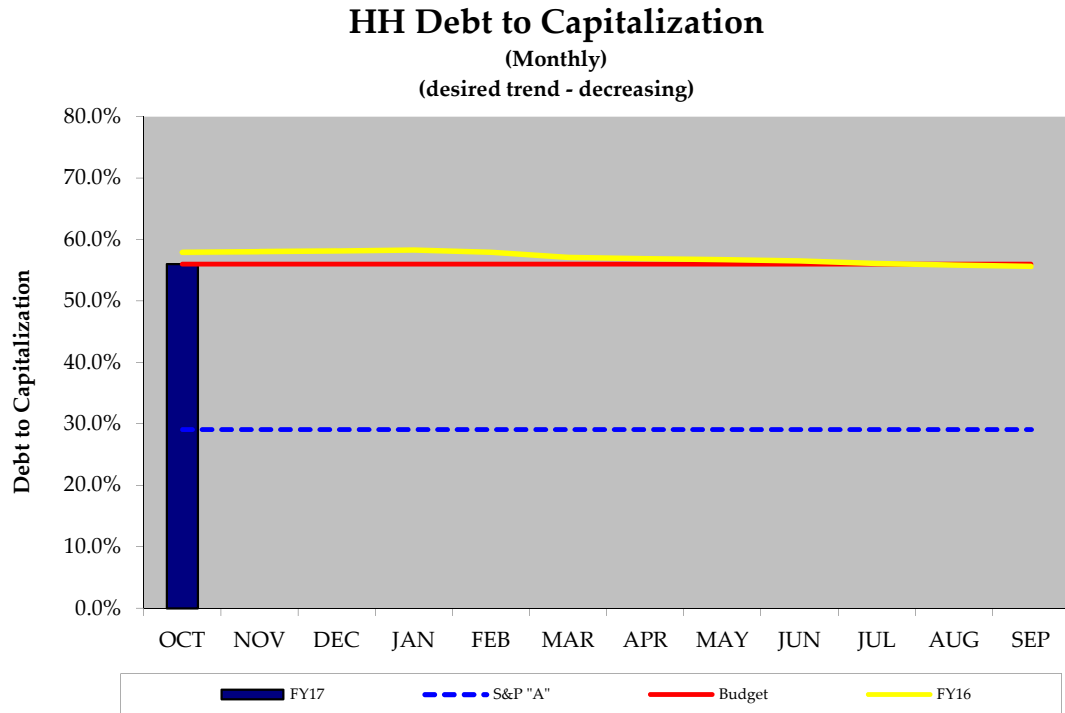
HH Days Cash on Hand (Annualized Basis) (desired trend - increasing)



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

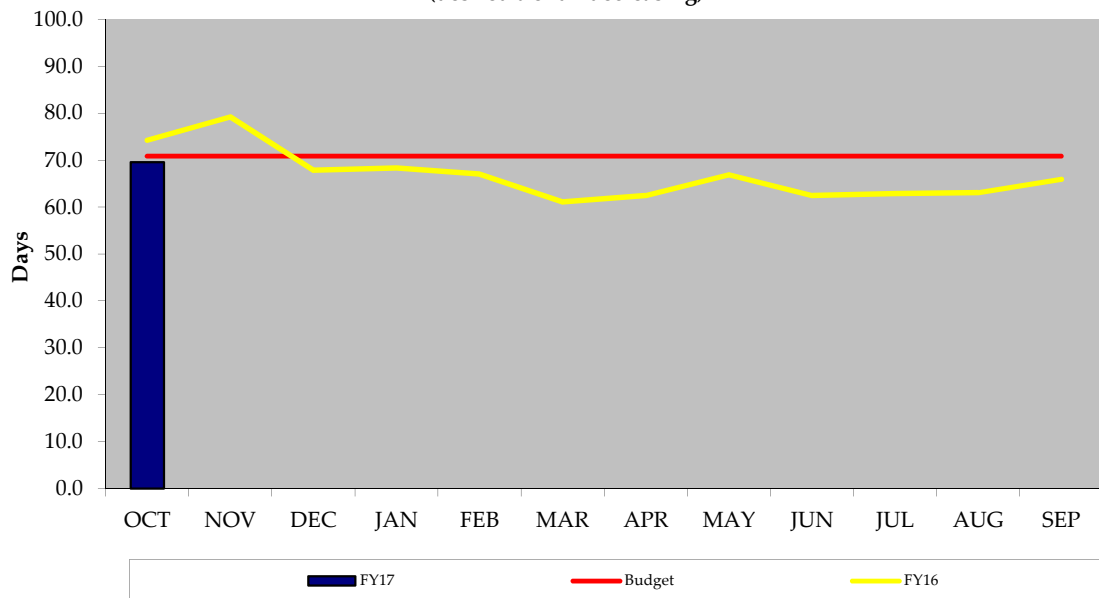


Halifax Health Financial Summary - Graphic

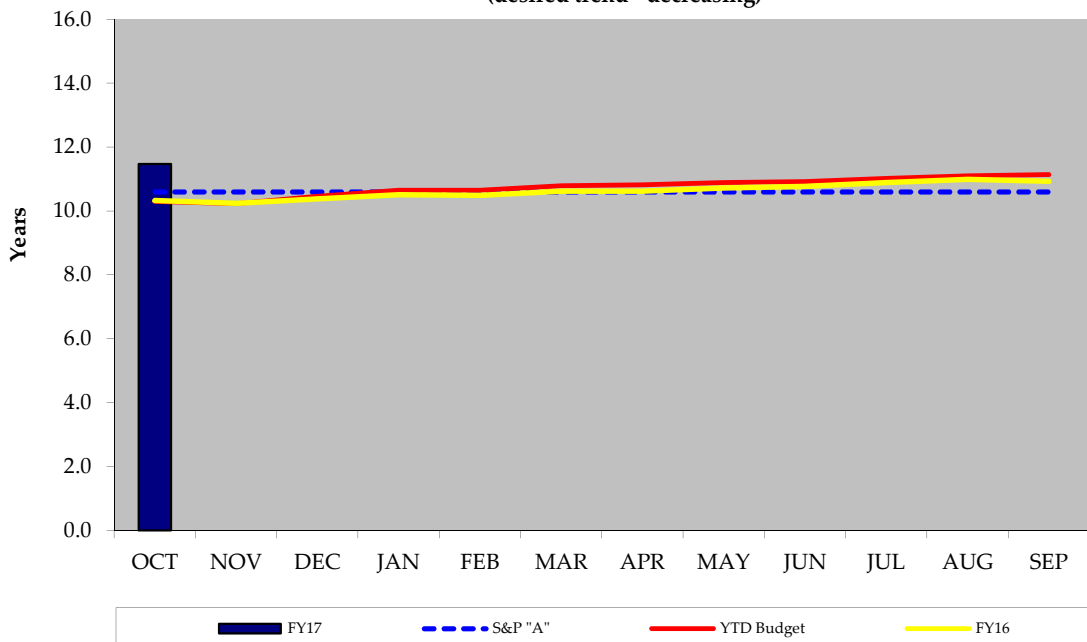


Halifax Health Financial Summary - Graphic

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
FY2016 Capital Investment Strategy
Executive Summary
As of October 31, 2016
(\$ in thousands)

Targeted Unrestricted Cash and Investments - September 30, 2017 (262 days cash on hand)	\$ 362,668
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Projected FY 2017 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	\$ 29,371	=	This amount is greater than the projected capital expenditures for FY 2017
---	------------------	----------	---

Capital Strategy Justifications for Approval of Proposed Capital Projects:

1. The targeted unrestricted cash and investments for September 30, 2017 (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 2017 capital budget.

Halifax Health
FY2017 Capital Investment Strategy
As of October 31, 2016
(\$ 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 October 31, 2016	\$79,759	\$165,872	\$245,631	\$32,374	\$65,221	\$343,227
Days cash on hand (excluding settlement and legal fees) [S&P Calculation]	61.8	N/A	190.2	N/A	576.7	243.5
Days cash on hand including bad debt (excluding settlement and legal fees) [Bond Compliance Calculation]	50.3	N/A	154.9	N/A	559.9	201.0
Projection of Cash Available for Capital Investment - FY 2017						
Actual Cash and Investments as of October 31, 2016	\$79,759	\$165,872	\$245,631	\$32,374	\$65,221	\$343,227
Budgeted Cash and Investments at September 30, 2017	88,924	168,474	257,398	34,422	70,848	362,668
Cash and Investments in excess of Budget	(9,165)	(2,602)	(11,767)	(2,048)	(5,627)	(19,441)
Calculation of Cash from Operations Available for Capital Investment						
Gain from operations - budgeted FY 2017- Remaining	\$4,567	\$487	\$5,054	\$1,039	\$684	\$5,306
GASB 68 pension accounting - budgeted FY 2017- Remaining	10,371	799	11,170	-	556	11,726
Depreciation expense - budgeted FY 2017- Remaining	20,518	-	20,518	-	723	21,973
Expected cash from operations- budgeted FY 2017- Remaining	35,456	1,286	36,742	1,039	1,963	39,005
Donations and nonoperating gains, net- budgeted FY 2017- Remaining	-	-	-	-	656	656
Investment gains- budgeted FY 2017- Remaining	\$756	\$1,416	\$2,172	\$0	\$2,068	\$4,240
Portion being made available for capital expenditures	100%	100%	100%	100%	100%	100%
Adjustment to cash from Bond Proceeds	13,116	-	13,116	-	-	13,116
Pension Funding	(361)	-	(361)	-	(40)	(401)
Expected changes in working capital through September 30, 2017	(278)	-	(278)	-	-	(278)
Principal payments on debt	(7,526)	-	(7,526)	-	-	(7,526)
Total expected cash and investments available for capital expenditures	(A) \$31,998	(A) \$100	(A) \$32,098	(A) (\$1,009)	(A) (\$980)	(A) \$29,371
Projected Capital Investments FY 2017						
Capital projects approved in FY 2016 and prior - not expended at September 30, 2015	\$18,044	\$0	\$18,044	\$0	\$108	\$18,152
FY2017 Capital Budget	19,700	-	19,700	-	300	20,000
Adjustments (FY 2017 Budgeted Projects approved in FY 2016)	(1,681)	-	(1,681)	-	-	(1,681)
Estimated carryover of approved projects to FY 2017	(12,000)	-	(12,000)	-	-	(12,000)
Projected capital expenditures	(B) 24,063	(B) -	(B) 24,063	(B) -	(B) 408	(B) 24,471
Projected funds available in excess of capital expenditures	(A)-(B) \$7,935	(A)-(B) \$100	(A)-(B) \$8,035	(A)-(B) (\$1,009)	(A)-(B) (\$1,388)	(A)-(B) \$4,900
Summary of Capital Approvals						
FY 2017 Capital Budget	\$19,700	\$0	\$19,700	\$0	\$300	\$20,000
Projected funds available in excess of FY 2017 Capital Investment	7,935	100	8,035	(1,009)	(1,388)	4,900
FY 2015 Capital Budget plus projected excess funds	(C) 27,635	(C) 100	(C) 27,735	(C) (1,009)	(C) (1,088)	(C) 24,900
FY2017 Board of Commissioners approved projects	3,055	-	3,055	-	-	3,055
FY 2017 CIC approved projects, net of those subsequently approved by the Board	742	-	742	-	-	742
Approved capital projects	(D) 3,796	(D) -	(D) 3,796	(D) -	(D) -	(D) 3,796
Adjustments (FY 2017 board approvals, approved by CIC in FY 2016)	(E) (4,113)	(E) -	(E) (4,113)	(E) -	(E) -	(E) (4,113)
Available for new projects	(C)-(D)-(E) 27,951	(C)-(D)-(E) 100	(C)-(D)-(E) 28,051	(C)-(D)-(E) (1,009)	(C)-(D)-(E) (1,088)	(C)-(D)-(E) 25,216
Project(s) proposed for Board of Commissioners approval:						
CVICU & CPCU Renovation	(\$816)	\$0	(\$816)	\$0	\$0	(\$816)
SAN Software	(594)	-	(594)	-	-	(594)
Endoscopic Ultrasound for GI with Video Scopes (Qty 4)	(441)	-	(441)	-	-	(441)
WOW Carts (Qty 55)	(198)	-	(198)	-	-	(198)
Pulmonary Function Tester	(68)	-	(68)	-	-	(68)
Available Capital if Proposed Projects are Approved	\$25,834	\$100	\$25,934	(\$1,009)	(\$1,088)	\$23,099

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

Halifax Health
Capital Budget
FY 2017 Budget - October 31, 2016 Evaluation
(in Thousands)

		(A)	(B)	(C)	(A)+(B)+(C)		
		FY 17 Capital Budget	FY17 Adjustments	FY 17 Activity/ Approvals	Remaining Balance as of 10/31/16	Current CIC Submitted Projects	Remaining Capital with CIC Projects Approved
Item	Information Technology						
1	IT Enterprise Projects	\$1,700		(\$6)	\$1,694		\$1,694
2	IT Internal Resource Capitalization	700			700		700
3	Laptop/Desktop Replacement (rolling 4-5 year cycle)	300			300		300
4	WOW Replacement (rolling 7 year cycle) - 50/yr.	200		(198)	2		2
5	Enterprise Infrastructure	100			100		100
	Total Information Technology	\$3,000	\$0	(\$204)	\$2,796	\$0	\$2,796
Item	Medical Equipment						
6	Cath Lab Replacement	\$1,841			\$1,841		\$1,841
7	Vendor Neutral Archive (VNA) for Enterprise Imaging *	1,500		(1,500)	0		0
8	Power equipment (Ortho)	500		(488)	12		12
9	Intraoperative Radiation Therapy - Breast site	425			425		425
10	CT Scanner- Big Bore	350			350		350
11	Critical Care Beds	281			281		281
12	OeC O.R. C-Arm (One Machine)	225			225		225
13	Power equipment (Neuro)	225		(181)	44		44
14	Replace obsolete surgical tables (6)	220			220		220
15	Prostate Biopsy	170			170		170
16	Med/Surg Beds	163			163		163
17	IRIS Replacement	150			150		150
18	Robotics Single Site	125			125		125
19	Medical Equipment Emergency Purchases	1,000			1,000		1,000
20	Medical Equipment Projects under \$100,000	1,000		(110)	890		890
	Total Medical Equipment	\$8,174	\$0	(\$2,280)	\$5,894	\$0	\$5,894
Item	Infrastructure/Facilities						
21	T-Zone AHU (Fountain 5, 6, 7)	\$1,000			\$1,000		\$1,000
22	CVICU/ CPCU Renovation	816		(816)	-		-
23	Bronch Renovation	381			381		381
24	GI Lab Renovation	280			280		280
25	Lab Roof	265			265		265
26	Ophthalmology Microscope and Room Renovation	258			258		258
27	Infrastructure Emergency Purchases	1,000			1,000		1,000
28	Infrastructure Projects under \$100,000	1,000		(3)	997		997
	Total Infrastructure/Facilities	\$5,000	\$0	(\$819)	\$4,181	\$0	\$4,181
Item	Hospice Capital Expenditures						
29	SE Volusia Air Conditioning Units	\$175			\$175		\$175
30	Remaining Hospice Capital	125			125		125
	Total Hospice Capital Expenditures	\$300	\$0	\$0	\$300	\$0	\$300
Item	Other						
31	Service Expansion	\$3,526			\$3,526		\$3,526
	Subtotal Other Projects	\$3,526	\$0	\$0	\$3,526	\$0	\$3,526
	Total HH Capital Expenditures	\$20,000	\$0	(\$3,303)	\$16,698	\$0	\$16,698

* 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 2017 and Prior Approved Capital Projects and Expenditures
As of October 31, 2016
(\$ in thousands)

	Project Approval Date	Total Carryover and Approved	Spent During FY 2017	HMC Remaining to be Spent	HH Holdings Remaining to be Spent	Hospice Remaining to be Spent
Capital funds required for projects approved in FY 2016 and prior						
Deltona FSED	6/6/2016	\$ 3,843	(382)	\$ 3,461		
Vendor Neutral Archive (VNA) for Enterprise Imaging	8/8/2016	3,239	-	3,239		
Cardiac Cath & Electrophysiology Lab Replacement	10/3/2016	1,841	-	1,841		
Boiler Replacement (3)	8/8/2016	1,605	-	1,605		
Patient Monitors- PACU, Holding, L&D	10/3/2016	950	-	950		
Port Orange Equipment Refresh	2/17/2016	746	(241)	504		
Fire Alarm System	3/16/2016 *	700	-	700		
SAN Software	10/3/2016 *	594	-	594		
Med Psych Construction & Furnishings-4-South Fountain Tower	11/2/2015	489	(336)	154		
Endoscopic Ultrasound for GI with Video Scopes (Qty 4)	8/24/2016 *	470	-	470		
AHU (x2) for Ormond ROC	6/6/2016	328	-	328		
Air Handling Units (Qty 2) for HHPO	6/6/2016	320	(122)	198		
Access Control System - Replacement of WinPak	11/2/2015	243	(122)	121		
Air Handling Unit #5 for Facility Expansion Roof	8/24/2016 *	231	-	231		
Bronchoscopes (Qty 3) and Navigation Cart	6/6/2016	200	-	200		
Hemodynamic Patient Monitors (x10)	8/8/2016	198	-	198		
Laptops (x50) and Desktops (x200) Replacement	10/3/2016	190	-	190		
Air Handling Unit #1 for SPD Area	8/24/2016 *	189	-	189		
Chiller #1 for HHPO	3/7/2016	183	-	183		
Neurosurgical Power Equipment	9/21/2016 *	181	-	181		
Data Center Cooling Replacement	9/21/2016 *	163	-	163		
Outpatient Rehab JV Renovations	6/6/2016	137	-	137		
Ormond Beach Urgent Care Construction & Equipment	12/7/2015	111	(111)	-		
Hospice Ormond Beach Resale Shop	8/8/2016	108	-	108		
Ormond Beach Resale Shop	8/24/2016 *	108	-	-		108
GI Lab for HHPO	1/8/2016	106	(65)	40		
Pump Speed Controls for Heart-Lung Machines (Qty 3)	9/21/2016 *	100	-	100		
Electrical Panel Replacement (x18)	11/2/2015	94	(22)	72		
Video System for Vessel Harvest-CVOR	12/7/2015	85	-	85		
Ultrasound for OB Diagnostics	10/3/2016	74	-	74		
OneView Physician Quality Reporting Software	6/6/2016	72	(24)	48		
Pulmonary Function Tester	8/24/2016 *	68	-	68		
Keech Pediatric Clinic Renovations	8/8/2016	68	(15)	53		
Carescape Patient Monitor Upgrade	8/8/2016	64	-	64		
Kronos Time & Attendance and Workforce Scheduler	6/1/2015	54	(20)	34		
Subtotal of approved items less than \$50k		713	(77)	584	-	52
Total Capital funds required for projects approved in FY 2016 and prior		\$ 18,152	\$ (1,459)	\$ 16,585	\$ -	\$ 108
FY2017 Board Approved Capital Projects						
Cardiac Cath & Electrophysiology Lab Replacement	11/7/2016 ^	\$ 1,841	\$ -	\$ 1,841		
Patient Monitors- PACU, Holding, L&D	11/7/2016 ^	950	-	950		
Laptops (x50) and Desktops (x200) Replacement	11/7/2016 ^	190	-	190		
Ultrasound for OB Diagnostics	11/7/2016 ^	74	-	74		
Total FY 2016 Board Approved Capital Projects		\$ 3,055	\$ -	\$ 3,055	\$ -	\$ -
FY 2017 Other Approved Capital Projects						
Surgical Power Equipment- Small Bone Orthopedics	10/19/2017 *	\$ 488		\$ 488		
Network Switches & Installation for Patient Monitoring	10/22/2017	134		134		
Subtotal of approved items less than \$50k		119	-	119	-	-
Total FY 2016 Other Approved Capital Projects		\$ 742	\$ -	\$ 742	\$ -	\$ -
Projects proposed for Board of Commissioners approval						
CVICU & CPCU Renovation	10/19/2016 *	\$ 816	-	\$ 816		
SAN Software	10/3/2016 *	594	-	594		
Endoscopic Ultrasound for GI with Video Scopes (Qty 4)	8/24/2016 *, ^	441	-	441		
WOW Carts (Qty 55)	10/19/2016 *	198	-	198		
Pulmonary Function Tester	8/24/2016 *, ^	68	-	68		
Total Project(s) proposed for Board approval		\$ 2,117	\$ -	\$ 2,117	\$ -	\$ -

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

^ CIC approved project in FY 2016

CAPITAL EXPENDITURES & OPERATING LEASES

Audit & Finance Committee

November 30, 2016

Capital Expenditures \$50,000 and over

DESCRIPTION	DEPARTMENT	SOURCE OF FUNDS	TOTAL
CVICU and CPCU Renovation	Cardiology Department	Working Capital	\$816,000
SAN Software	Information Technology	Working Capital	\$593,985
Endoscopic Ultrasound System for GI Lab	Surgical Services	Working Capital	\$440,703
Clinical Mobile Carts	Information Technology	Working Capital	\$198,168
Patient Monitoring Network Switch Upgrade	Cardiology Department	Working Capital	\$140,503
Pulmonary Function Machine for HHPO and Upgrade for Main Campus	Respiratory Therapy	Working Capital	\$68,384

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: Ann Martorano, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Alberto Tineo, Vice President Operations
DATE: November 15, 2016
RE: CVICU and CPCU Renovation

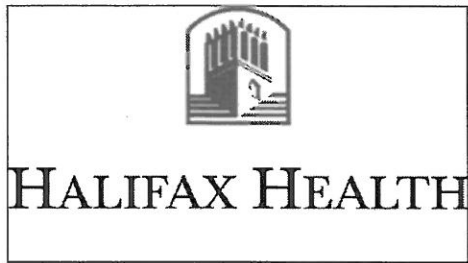
Halifax Health Cardiology Department is requesting funds for renovation of the cardiovascular intensive care unit (CVICU) and cardiac progressive care unit (CPCU) located on the fourth floor of the Fountain Building. Both units support open heart, thoracic, and vascular surgery patients. The renovation will include new casework, paint, flooring & ceiling tile for the units and corridor and finish renovation.

The units were first constructed in 1998 to support Halifax Health in achieving a certificate of need for an open heart surgery program. The renovation will update six post open-heart beds and thirteen step-down rooms, and allow for additional capacity. In fiscal year 2016, the CVICU and CPCU units treated 611 patients, which generated a hospital-wide contribution margin of approximately \$2.4 million.

The project will create an environment conducive to exceptional care and service for the patients in these areas.

The project was approved at the Capital Investment Committee meeting on October 19, 2016.

TOTAL CAPITAL COST \$816,000



Halifax Health Project Evaluation

CIVCU and CPCU Renovation

Chief Operating Officer:	Ann Martorano
Vice President, Operations:	Alberto Tineo
Service Line Administrator:	Matt Petkus
Finance Analysis by:	Steve Mach

Summary

Need:

This project will renovate the CIVCU and CPCU units in the Fountain Tower. These units have not been updated since 1998.

Strategic Plan Core Competency Achievement:

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

Cornerstone:

Safety	X	Image	X
Compassion	X	Efficiency	X

Investment/Return:

Acquisition Cost	\$ 816,000
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Recommendation for approval of the project is not based upon incremental return on investment.

In fiscal year 2016, the CIVCU and CPCU units treated 611 patients, which generated a hospital-wide contribution margin of approximately \$2.4 million.



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Arvin Lewis, Senior Vice President and Chief Revenue Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Tom Stafford, Vice President and Chief Information Officer
DATE: November 15, 2016
RE: SAN Software

Halifax Health Information Technology is requesting funds to purchase software for our Storage Area Network (SAN). The software purchase agreement allows IT to purchase and perpetually own the SAN software.

The agreement also allows IT to transfer the software licenses from the current SAN to future SAN hardware as we refresh. Prior to this agreement, the software was tied to the SAN hardware and could not be separated. By separating the software from the SAN hardware, a lower cost is achieved.

The purchase of the SAN software will allow the system to mitigate software maintenance costs by \$30,000 annually and discontinue the recurring three-year \$500,000 software license renewal, resulting in a financial payback of 5.9 years.

The project was approved at the Capital Investment Committee meeting on September 21, 2016.

TOTAL CAPITAL COST \$593,985



Halifax Health

Project Evaluation

SAN Software

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

Summary

Need:

This purchase of this software will allow SAN software to be transferred during hardware upgrades. Currently software is purchased at time of hardware upgrades.

Strategic Plan Core Competency Achievement:

Physician Integration
Care Coordination
Cost Management
Information Technology

X
X

Service Distribution
Financial Position
Scale
Managed Care Contracting
Competitive Position

X

Cornerstone:

Safety
Compassion

Image
Efficiency

X

Investment/Return:

	Cash Flow	NPV @	7.07%	Cumulative
				Cash Flow
Acquisition	\$ (593,985)	\$ (593,985)		\$ (593,985)
Expected Cash Flows:				
Year 1	33,333	31,132		\$ (562,853)
Year 2	34,333	29,949		\$ (532,904)
Year 3	35,363	28,810		\$ (504,094)
Year 4	599,178	455,916		\$ (48,178)
Year 5	37,517	26,661		\$ (21,516)
Year 6	38,642	25,648		\$ 4,132

5 Year Cash Outflow Expected **\$ 4,132**

Breakeven point based on project cost and expected cash flow:

5.9 Years



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Ann Martorano, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Alberto Tineo, Vice President Operations
DATE: November 15, 2016
RE: Endoscopic Ultrasound System for GI Lab

Halifax Health Surgical Services is requesting funds for the purchase of an endoscopic ultrasound system for use by the GI Lab physicians.

This device will expand the physicians' diagnostic capabilities and allow for improved patient outcomes. These new capabilities are anticipated to result in additional case volume and operating margin, which will provide recovery of the capital costs within 3.6 years.

The project was approved at the Capital Investment Committee meeting on August 25, 2016.

TOTAL CAPITAL COSTS \$440,703



Halifax Health

Project Evaluation

Endoscopic Ultrasound GI

Chief Operating Officer: Ann Martorano
 Director, Surgical Services: Deb Moore
 Finance Analysis by: Steve Mach

Summary

Need:

The Endoscopic Ultrasound equipment is used for the identification of pancreatic cancer and other GI diseases. New procedures will be performed at Halifax Health.

Strategic Plan Core Competency Achievement:

Physician Integration
 Care Coordination
 Cost Management
 Information Technology

X
X

Service Distribution
 Financial Position
 Scale
 Managed Care Contracting
 Competitive Position

X
X

Cornerstone:

Safety
 Compassion

X
X

Image
 Efficiency

X

Investment/Return:

	Cash Flow	NPV @	7.50%	Cumulative Cash Flow
Acquisition	\$ (440,703)	\$ (440,703)		\$ (440,703)
Expected Cash Flows:				
Year 1	103,171	95,973		\$ (344,730)
Year 2	150,796	130,489		\$ (214,241)
Year 3	201,186	161,947		\$ (52,294)
Year 4	207,222	155,168		\$ 102,873
Year 5	213,438	148,672		\$ 251,545

5 Year Cash Outflow Expected \$ 251,545

Breakeven point based on project cost and expected cash flow:

3.6 Years



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Arvin Lewis, Senior Vice President and Chief Revenue Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Tom Stafford, Vice President and Chief Information Officer
DATE: November 15, 2016
RE: Clinical Mobile Carts

Halifax Health Information Technology is requesting funds to purchase of 55 new clinical mobile carts known as WOW's (Workstations on Wheels). These carts offer a mobile solution for clinical staff to provide bedside care while simultaneously allowing access to patient electronic medical records.

The purchase of the new carts will replace existing carts at Halifax Health. Many of the carts that are currently in use by the clinical staff have reached end of life. These models are no longer in production by the manufacturer and repair parts are unavailable. It has become increasingly difficult for the client services department to keep the older carts up to operable standards and in production.

The project was approved at the Capital Investment Committee meeting on October 19, 2016.

TOTAL CAPITAL COST \$198,168



Halifax Health Project Evaluation

Clinical Mobile Carts (55)

Chief Revenue Officer:	Arvin Lewis
Chief Information Officer:	Tom Stafford
Project Manager:	Bill Ballard
Finance Analysis by:	Steve Mach

Summary

Need:

Initiative replaces 55 Workstation on Wheels (WOW mobile carts) that have reached end-of-life and can no longer be serviced or repaired.

Strategic Plan Core Competency Achievement:

Physician Integration
Care Coordination
Cost Management
Information Technology

X
X
X

Service Distribution
Financial Position
Scale
Managed Care Contracting
Competitive Position

Cornerstone:

Safety
Compassion

X

Image
Efficiency

X

Investment/Return:

Acquisition Cost	<u>\$ 198,168</u>
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Recommendation for approval of the project is not based upon incremental return on investment.



HALIFAX HEALTH

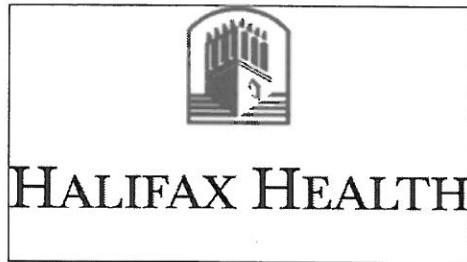
TO: Jeff Feasel, President and Chief Executive Officer
FROM: Ann Martorano, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Alberto Tineo, Vice President Operations
DATE: November 15, 2016
RE: Patient Monitoring Network Switch Upgrade

The Halifax Health Cardiology Department is requesting funds to purchase network switches for the General Electric patient monitoring network. The network switches allow data flow to the central monitoring area for patient monitoring.

The current switches are beginning to fail resulting in intermittent transmission outages. The outages prevent the data transmission of the patients' vital signs to be received at the 4-North central monitoring area.

The existing network switches are over 12 years old. The upgrade will stabilize the network and provide data flow redundancy.

CAPITAL COSTS FOR APPROVAL \$140,503



Halifax Health Project Evaluation

Network Switches for Patient Monitoring

Chief Operating Officer:	Ann Martorano
Vice President, Operations:	Alberto Tineo
Service Line Administrator:	Matt Petkus
Finance Analysis by:	Steve Mach

Summary

Need:

This project is to purchase network switches for the patient monitoring network. The switches will stabilize the network and provide data flow redundancy.

Strategic Plan Core Competency Achievement:

Physician Integration
Care Coordination
Cost Management
Information Technology

X

Service Distribution
Financial Position
Scale
Managed Care Contracting
Competitive Position

X

Cornerstone:

Safety
Compassion

X

Image
Efficiency

X

Investment/Return:

Acquisition Cost	\$ 140,503
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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: Ann Martorano, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Alberto Tineo, Vice President Operations
DATE: November 15, 2016
RE: Pulmonary Function Machine for HHPO and Upgrade for Main Campus

Halifax Health Respiratory Therapy is requesting funds to purchase a pulmonary function machine for use at Halifax Health Port Orange (HHPO) along with a hardware and software upgrade for the existing pulmonary function machine at the Halifax Health main campus.

Pulmonary function tests (PFTs) are a group of tests that measure the patient's ability to breathe and the effectiveness of the patient's lungs to bring oxygen to the rest of the body. The tests measure lung volume, capacity, rates of flow, and gas exchange.

The equipment will provide pulmonary function testing at two locations to alleviate any testing delays. This will allow certain patients the opportunity to schedule their surgeries sooner without having to wait for the results of the pulmonary function test. Both of the machines will have the capability to begin transmitting the test data directly into our electronic medical record system. This project is expected to increase PFT volume by seven cases per week, resulting in a contribution margin of \$108 per case and a financial payback of two years.

The project was approved at the Capital Investment Committee meeting on August 25, 2016.

TOTAL CAPITAL COSTS \$68,384



Halifax Health

Project Evaluation

Pulmonary Function Testing

Chief Operating Officer:	Ann Martorano
Vice President, Operations:	Alberto Tineo
Service Line Administrator:	Matt Petkus
Finance Analysis by:	Steve Mach

Summary

Need:

This project will add a Pulmonary Function machine to Port Orange and upgrade the existing unit at the main campus.

Strategic Plan Core Competency Achievement:

Physician Integration

X

Care Coordination

Cost Management

Information Technology

Service Distribution

Financial Position

Scale

Managed Care Contracting

Competitive Position

X

X

X

Cornerstone:

Safety

Compassion

Image

Efficiency

X

X

Investment/Return:

	Cash Flow	NPV @	7.50%	Cumulative Cash Flow
Acquisition	\$ (68,384)	\$ (68,384)		\$ (68,384)
Expected Cash Flows:				
Year 1	28,115	26,153		\$ (42,230)
Year 2	40,542	35,082		\$ (7,148)
Year 3	41,758	33,613		\$ 26,465
Year 4	43,011	32,206		\$ 58,672
Year 5	44,301	30,858		\$ 89,530

5 Year Cash Outflow Expected \$ 89,530

Breakeven point based on project cost and expected cash flow:

2 Years



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Eric Peburn, Executive Vice President and Chief Financial Officer
CC: Mike Walsh, Ashford Investments
DATE: November 17, 2016
RE: Proposed Investment Policy Changes

The Halifax Health Investment Committee, at its meeting on November 16, 2016, approved a motion to recommend to the Board of Commissioners their approval of a change to the investment policies of the Pension Plan, Hospice and Foundation. The proposed change is to modify the investment allocation strategy such that fixed income investments may represent up to 60% of the total portfolio. The current limitation on fixed income investments is 50% of the total portfolio. With this revision, the permitted ranges of fixed income and equity investments would be as follows:


Equities – 40% to 70%
Fixed income – 30% to 60%

No need is currently identified to increase the fixed income allocation to 60%. However, the Committee agreed with the recommendations of our investment advisor, Mike Walsh, and management, that having the flexibility to quickly make such a change to the investment allocations would be important to effectively respond to changing market conditions.

Attachments:

Halifax Health Pension Plan Investment Policy (with proposed revisions)
Halifax Hospice Investment Policy (with proposed revisions)
Halifax Foundation Investment Policy (with proposed revisions)

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I. INTRODUCTION

The broad objective for the operating assets of the Fund is to maintain a corpus of assets to provide funding for current and future pension plan benefits. Growth, risk adjusted relative performance and keeping pace with inflation are the primary objectives of the plan.

The statement of investment policies is both a guide to the Trustee(s) and the money manager(s); as well as a yardstick by which the Board will measure its progress towards its goal of maintaining and growing the corpus of operating assets of the Fund. The Board retains the ultimate responsibility for overseeing the investment of funds but may assign certain tasks in respect to that responsibility to the Finance Committee or other appropriate body. As such, the statement of investment policies and objectives will:


- prescribe specific investment objectives;
- define the targeted asset mix and other investment guidelines and constraints;
- establish performance benchmarks for measuring manager(s) performance; and
- outline the duties and responsibilities of the investment manager(s) and Board.

II. TIME HORIZON

The time horizon of the asset mix shall be long-term, while maintaining sufficient liquidity to provide current pension benefits.

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III. ASSET ALLOCATION & BENCHMARK


The asset allocation strategy has been formulated to reflect the Investment Committee's risk tolerance. The strategy is based on a fully diversified portfolio containing an asset mix comprised of classes with a low correlation to each other. Diversification in this manner allows for lower portfolio Standard Deviation (risk) while maximizing portfolio total return.

Asset Allocation Strategy

Asset Class	Target Percentage	Range	Benchmark
Fixed			
Corporate Bonds	10%	0%-45%	Barclays / Corp Bond Index
Short-term Gov't Notes/Bills/Money Mkt Accts	15%	0%-45%	Barclays 1-5 Year Gov't Bond Index
Intermediate-term Gov't Bonds	15%	0%-45%	Barclays Gov't / Corp Bond Index
Total Fixed	40%	30%-5060%	
Equities			
Large Cap Growth	6%	4%-10%	Russell 1000 Growth
Large Cap Value	10%	7%-13%	Russell 10000 Value
Small Cap Growth	6%	4%-8%	Russell 2000 Growth
Small Cap Value	10%	7%-13%	Russell 2000 Value
International Value	15%	11%-19%	MSCI EAFE Value
Emerging Markets	5%	3%-7%	MSCI EMID
Specialty - Oil, Basic Materials, Energy, Healthcare, etc.	8%	0%-11%	DJ Healthcare Index, GS Natural Resources Index
Total Equities	60%	5040%-70%	

The asset allocation strategy will be reviewed at least annually by the Investment Committee to ensure its relevance to changing capital market conditions, spending

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needs, time horizon and/or tolerance for risk. The asset mix will be reviewed at least quarterly. When deemed appropriate, the asset mix will be rebalanced within a reasonably practicable period of time.

Market conditions may provide opportunities for reduced risk by maintaining an asset allocation strategy slightly different than that reflected above of 40% Fixed Income and 60% Equities. Accordingly, the Chief Financial Officer, with the concurrence both of the Investment Advisor and a designated representative of the Investment Committee, may elect to maintain an asset allocation strategy of up to 10% above or below the asset allocation targets above. The Fixed Income allocation may range from 30% to ~~50~~60% and the Equities allocation may range from ~~50~~40% to 70% of the investment portfolio.

IV. INVESTMENT GUIDELINES

A. Third Party Agreement

All securities purchased under this policy shall be properly designated as an asset of and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the United States Government or the State of Florida. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by any two persons so authorized by the Board. The Finance Committee shall recommend custodial banks or institutions for approval and/or removal to the Board.

B. Fixed-Income


Diversification

No more than 2% of the managers fixed income portfolio at cost at time of purchase shall be invested in any one issue. There shall be no limit on securities of the U.S. Government, its agencies or their instrumentalities.

Quality

Corporate bonds must have a credit rating of A or higher when purchased. All securities held shall maintain an investment-grade rating. In the case of a split rating, the higher rating shall apply. If a downgrade causes a violation of these guidelines, such downgraded security may be held at the manager's discretion. If the security rating falls below the minimum required rating, the Investment

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Manager will inform the Investment Committee as to their recommended course of action. If the security is to be held the Investment Manager will, at a minimum, report quarterly any changes in conditions or recommendations.

Maturity

The maturity of the portfolio should be targeted against the effective maturity of the Barclays Gov't./Corp Bond Index. The investment manager may use their discretion to alter the overall maturity of the portfolio plus or minus 1.0 year around their respective maturity target.

Fixed Income Securities

Portfolio investments will consist primarily of:

- straight and convertible bonds, notes, bills, money market instruments and other evidences of indebtedness ;
- mortgage-related securities;
- asset-backed securities;
- variable and floating rate securities;
- securities issued by municipalities (both taxable and tax-exempt); and
- the mutual fund of a registered investment advisor may be used and the prospectus will supersede the permissible securities listed above.

C. Equities


All equity securities must be registered on a national exchange.

Diversification

No more than 2% of the manager's portfolio at cost, and 5% at market value, shall be invested in any one company.

Quality

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Only securities whose quality is generally classified as investment-grade are permissible.

Turnover

There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the manager is given the flexibility to adjust the asset mix and security selection to changing market expectations.

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Permissible Universe:

The following are permissible universes:


- common stocks traded on major U.S. exchanges and in the over-the-counter market;
- securities convertible into common stocks;
- mutual funds of International Equities; and
- mutual funds of Emerging Market Equities.

Investment Restrictions:


The account will not:

- purchase any security, if as a result, more than 20% of its total assets (valued at the time of purchase) would be invested in a single industry (for purposes of this restriction, the term industry shall have the meaning attributed to it by Standard & Poors Corporation);
- borrow money or pledge its assets;
- buy or sell real estate or interests in real estate, although it may purchase and sell (a) securities which are secured by real estate and (b) securities of companies which invest or deal in real estate;
- engage in the purchase and sale of futures or futures contracts
- purchase securities on margin;
- engage in short sales of securities or maintain a short position, unless at all times when a short position is open the account owns or has the right to obtain at no added cost securities identical to those sold short;
- purchase warrants;
- provide venture capital or invest in the securities of companies that provide venture capital; and

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V. PERFORMANCE STANDARDS

Performance of the portfolio shall be reported monthly by the Investment Manager to the Chief Financial Officer. Investment performance will be monitored quarterly and manager performance will be evaluated at least annually. Performance goals are expressed as total rates of return, recognizing both realized and unrealized gains and losses. Thus there is no incentive to sell a security solely to realize a gain. The decision to realize gains and losses will therefore be made for the purpose of furthering the long term goals and objectives of the plan, and not merely to satisfy short-term performance measures. Reports shall include details of the characteristics of the portfolio as well as its performance for that period.

Material changes in the portfolio that result in deviations from the investment policies shall be reported to the Chief Executive Officer and the Finance Committee of HHMC by the Chief Financial Officer. Annually, the Investment Committee shall review the asset performance for all funds, including any donated, real and personal property assets.

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VI. DUTIES AND RESPONSIBILITIES

Board Responsibilities:

The Board of Commissioners responsibilities include:

- authority for investing funds of HHMC rests with the Board of Commissioners ("The Board");
- establish a Finance Committee to review and recommend policy changes to the Board; and
- establish an investment committee. Members of the Investment Committee shall have no active interest in the investments of the funds. The committee membership shall reflect a diversity of financial disciplines covering the types of instruments in which HHMC and its affiliates may invest.

Committee Responsibilities:

The Finance Committee responsibilities include:

- recommend this policy and any changes thereto, to the Board; and
- participate in an annual performance review of this policy as it applies to the Pension Plan.


The Investment Committee responsibilities include:

- review overall investment performance on an interim basis;
- review investment manager performance at least annually; and
- recommend policy changes to the Finance Committee.

Chief Financial Officer Responsibilities:

Direct responsibility for coordination of investment management in accordance with this policy rests with the Chief Financial Officer.

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Investment Manager(s) Responsibilities:


An independent professional investment management firm(s), hereinafter the "Investment Manager" is required to manage the investment of all funds listed above. Such firm(s) shall be selected by the Board. Investment Manager(s) shall accept full fiduciary responsibility for the accounts they manage.

Exceptions to the Policy may be permitted on a case by case basis as determined by the Chief Financial Officer. However, funds not invested by the professional manager(s) shall be explained in writing by the Chief Financial Officer, submitted to the Finance Committee on a quarterly basis, and reviewed as part of the Investment Committee activities.

The investment managers' responsibilities include:

- provide a quarterly portfolio performance review with annual, or more frequent, on-site presentations;
- present, upon request, of the manager's outlook , what investment decisions this outlook may trigger, and how these decisions could impact future results;
- recommend changes in the objectives, goals, or standards, based upon material and sustained changes in the capital markets;
- review and re-appraise, upon request, of the aforementioned investment program;
- comment, upon request, on investment results in light of the appropriate standards of performance;
- furnish a synopsis of key investment decisions made by the manager(s) with the underlying rationale and how those decisions could impact future results; and
- provide monthly portfolio updates including portfolio valuations and transaction ledgers including purchase and sale information.

POLICY STATEMENT

	POLICY TITLE Halifax Hospice Investment Policy	EFFECTIVE DATE	Page 1 of 10
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I. INTRODUCTION

This Investment Policy Statement outlines the investment objectives and monitoring procedures of Halifax Hospice. The objective of this policy is to maintain a corpus of assets to provide funding for current and future needs. Growth, risk adjusted relative performance and keeping pace with inflation are the primary objectives of the plan.

The statement of investment policies is both a guide to the Trustee(s) and the money manager(s); as well as a yardstick by which the Board will measure its progress towards its goal of maintaining and growing the corpus of assets. The Board retains the ultimate responsibility for overseeing the investment of funds but may assign certain tasks in respect to that responsibility to the Finance Committee or other appropriate body. As such, the statement of investment policies and objectives will:

- prescribe specific investment objectives;
- define the targeted asset mix and other investment guidelines and constraints;
- establish performance benchmarks for measuring manager(s) performance; and
- outline the duties and responsibilities of the investment manager(s) and Board.

II. SCOPE

The assets¹ covered by this Investment Policy Statement include the following funds:


- A. General Operating Funds in excess of 30 days cash on hand and Restricted Funds in excess of anticipated expenditures of restricted funds and
- B. Endowment Funds.

III. TIME HORIZON

The time horizon of the asset mix shall be long-term, while maintaining sufficient liquidity to provide for current needs.

¹ These assets exclude any requisite or anticipated transfers to the Obligated Group as determined by the System Cash and Investment Allocation Policy.

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IV. ASSET ALLOCATION & BENCHMARKS

The asset allocation strategy has been formulated to reflect the Investment Committee's risk tolerance. The strategy is based on a fully diversified portfolio containing an asset mix comprised of classes with a low correlation to each other. Diversification in this manner allows for lower portfolio Standard Deviation (risk) while maximizing portfolio total return.

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)

Permitted investments, benchmarks and maturity restrictions are listed below.

Investment (See Footnotes)			A. General Operating and Restricted Funds	B. Endowment
Maximum Maturity			30 years	30 years
		Range	Target Percentage²	
Fixed Securities\Benchmarks		30%-5060%		
	Corporate Bonds\ <i>Barclays Corp Bond Index</i>	0%-45%	10%	15%
	Short-term Gov't. Notes/Bills/Money Mkt Accts\ <i>Barclays 1-5 Year Gov't Bond Index</i>	0%-45%	20%	5%
	Intermediate-term Gov't Bonds\ <i>Barclays Gov't/Corp Bond Index</i>	0%-45%	5%	10%
	Long-term Gov't Bonds\ <i>Barclay's Long Term Gov't/Corp Bond Index</i>	0%-45%	5%	10%
Equity Securities\Benchmarks		5040-70%		
	Large Cap Value\ <i>Russell 1000 Value</i>	10%-30%	20%	20%
	Small Cap Value\ <i>Russell 2000 Value</i>	5%-15%	10%	10%
	Large Cap Growth\ <i>Russell 1000 Growth</i>	5%-15%	10%	10%
	Small Cap Growth\ <i>Russell 2000 Growth</i>	5%-15%	10%	10%
	International Portfolio\ <i>MSCI EAFE Value</i>	0%-15%	5%	5%
	Emerging Markets Portfolio\ <i>MSCI EMID</i>	0%-5%	2%	2%
	Specialty - Oil, Basic Materials, Energy, Healthcare, etc.\ <i>DJ Healthcare Index, GS Natural Resources Index</i>	0%-11%	3%	3%

² Donated real and personal property is to be excluded from the portfolio for calculation of maximum percentage.

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)

The asset allocation strategy will be reviewed at least annually by the Investment Committee to ensure its relevance to changing capital market conditions, spending needs, time horizon and/or tolerance for risk. The asset mix will be reviewed at least quarterly. When deemed appropriate, the asset mix will be rebalanced within a reasonably practicable period of time.

Market conditions may provide opportunities for reduced risk by maintaining an asset allocation strategy slightly different than that reflected above of 40% Fixed Income and 60% Equities. Accordingly, the Chief Financial Officer, with the concurrence of both the Investment Advisor and a designated representative of the Investment Committee, may elect to maintain an asset allocation strategy of up to 10% above or below the asset allocation targets above. The Fixed Income allocation may range from 30% to ~~50~~60% and the Equities allocation may range from ~~50~~40% to 70% of the investment portfolio.

V. INVESTMENT GUIDELINES

A. Third Party Agreement

All securities purchased under this policy shall be properly designated as an asset of and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the United States Government or the State of Florida. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by any two persons so authorized by the Board. The Finance Committee shall recommend custodial banks or institutions for approval and/or removal to the Board.

B. Fixed-Income


Diversification

No more than 2% of the managers fixed income portfolio at cost at time of purchase shall be invested in any one issue. There shall be no limit on securities of the U.S. Government, its agencies or their instrumentalities.

Quality

Corporate bonds must have a credit rating of A or higher when purchased. All securities held shall maintain an investment-grade rating. In the case of a split rating, the higher rating shall apply. If a downgrade causes a violation of these

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guidelines, such downgraded security may be held at the manager's discretion. If the security rating falls below the minimum required rating, the Investment Manager will inform the Investment Committee as to their recommended course of action. If the security is to be held the Investment Manager will, at a minimum, report quarterly any changes in conditions or recommendations.

Fixed Income Securities

Portfolio investments will consist primarily of:

- straight and convertible bonds, notes, bills, money market instruments and other evidences of indebtedness ;
- mortgage-related securities;
- asset-backed securities;
- variable and floating rate securities;
- securities issued by municipalities (both taxable and tax-exempt); and
- the mutual fund of a registered investment advisor may be used and the prospectus will supersede the permissible securities listed above.

C. Equities

All equity securities must be registered on a national exchange.

Diversification

No more than 2% of the manager's portfolio at cost, and 5% at market value, shall be invested in any one company.


Quality

Only securities whose quality is generally classified as investment-grade are permissible.

Turnover


There shall be no specific guidelines with regard to portfolio activity. By not

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restricting turnover, the manager is given the flexibility to adjust the asset mix and security selection to changing market expectations.

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Permissible Universe:

The following are permissible universes:


- common stocks traded on major U.S. exchanges and in the over-the-counter market;
- securities convertible into common stocks;
- mutual funds of U.S. common stocks;
- mutual funds of International Equities; and
- mutual funds of Emerging Market Equities.

Investment Restrictions:

The account will not:

- purchase any security, if as a result, more than 20% of its total assets (valued at the time of purchase) would be invested in a single industry (for purposes of this restriction, the term industry shall have the meaning attributed to it by Standard & Poors Corporation);
- borrow money or pledge its assets;
- buy or sell real estate or interests in real estate, although it may purchase and sell (a) securities which are secured by real estate and (b) securities of companies which invest or deal in real estate;
- engage in the purchase and sale of futures or futures contracts
- purchase securities on margin;
- engage in short sales of securities or maintain a short position, unless at all times when a short position is open the account owns or has the right to obtain at no added cost securities identical to those sold short;

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Investment Restrictions (Continued):

- purchase warrants;
- provide venture capital or invest in the securities of venture capital companies; and
- purchase and write put and call options.


VI. PERFORMANCE STANDARDS

Performance of the portfolio shall be reported monthly by the Investment Manager to the Chief Financial Officer. Investment performance will be monitored quarterly and manager performance will be evaluated at least annually. Performance goals are expressed as total rates of return, recognizing both realized and unrealized gains and losses. Thus there is no incentive to sell a security solely to realize a gain. The decision to realize gains and losses will therefore be made for the purpose of furthering the long term goals and objectives of the plan, and not merely to satisfy short-term performance measures. Reports shall include details of the characteristics of the portfolio as well as its performance for that period.

Material changes in the portfolio that result in deviations from the investment policies shall be reported to the Chief Executive Officer and the Finance Committee of HHMC by the Chief Financial Officer. Annually, the Investment Committee shall review the asset performance for all funds, including any donated, real and personal property assets.

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VII. DUTIES AND RESPONSIBILITIES

Board Responsibilities:

The Board of Directors responsibilities include:

- authority for investing funds of Halifax Hospice rests with the Board of Directors ("The Board");
- establish a Finance Committee to review and recommend policy changes to the Board; and
- establish an investment committee. Members of the Investment Committee shall have no active interest in the investments of the funds. The committee membership shall reflect a diversity of financial disciplines covering the types of instruments in which Halifax Hospice may invest.

Committee Responsibilities:

The Finance Committee responsibilities include:

- recommend this policy and any changes thereto, to the Board; and
- participate in an annual performance review of this policy as it applies to Halifax Hospice.


The Investment Committee responsibilities include:

- review overall investment performance on an interim basis;
- review investment manager performance at least annually; and
- recommend policy changes to the Finance Committee.

Chief Financial Officer Responsibilities:

Direct responsibility for coordination of investment management in accordance with this policy rests with the Chief Financial Officer.

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Investment Manager(s) Responsibilities:


An independent professional investment management firm(s), hereinafter the "Investment Manager" is required to manage the investment of all funds listed above. Such firm(s) shall be selected by the Board. Investment Manager(s) shall accept full fiduciary responsibility for the accounts they manage.

Exceptions to the Policy may be permitted on a case by case basis as determined by the Chief Financial Officer. However, funds not invested by the professional manager(s) shall be explained in writing by the Chief Financial Officer, submitted to the Finance Committee on a quarterly basis, and reviewed as part of the Investment Committee activities.

The investment managers' responsibilities include:

- provide a quarterly portfolio performance review with annual, or more frequent, on-site presentations;
- present, upon request, of the manager's outlook , what investment decisions this outlook may trigger, and how these decisions could impact future results;
- recommend changes in the objectives, goals, or standards, based upon material and sustained changes in the capital markets;
- review and re-appraise, upon request, of the aforementioned investment program;
- comment, upon request, on investment results in light of the appropriate standards of performance;
- furnish a synopsis of key investment decisions made by the manager(s) with the underlying rationale and how those decisions could impact future results; and
- provide monthly portfolio updates including portfolio valuations and transaction ledgers including purchase and sale information.

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I. INTRODUCTION

This Investment Policy Statement outlines the investment objectives and monitoring procedures of Halifax Health Foundation. The objective of this policy is to maintain a corpus of assets to provide funding for current and future capital projects. Growth, risk adjusted relative performance and keeping pace with inflation are the primary objectives of the plan.

The statement of investment policies is both a guide to the Trustee(s) and the money manager(s); as well as a yardstick by which the Board will measure its progress towards its goal of maintaining and growing the corpus of assets. The Board retains the ultimate responsibility for overseeing the investment of funds but may assign certain tasks in respect to that responsibility to the Finance Committee or other appropriate body. As such, the statement of investment policies and objectives will:

- prescribe specific investment objectives;
- define the targeted asset mix and other investment guidelines and constraints;
- establish performance benchmarks for measuring manager(s) performance; and
- outline the duties and responsibilities of the investment manager(s) and Board.

II. SCOPE

The assets¹ covered by this Investment Policy Statement include the following funds:


- A. Funds in excess of current funded capital projects and Restricted Funds in excess of anticipated expenditures of restricted funds and
- B. Endowment Funds.

III. TIME HORIZON

The time horizon of the asset mix shall be long-term, while maintaining sufficient liquidity to provide for current needs.

¹ These assets exclude any requisite or anticipated transfers to the Obligated Group as determined by the System Cash and Investment Allocation Policy.

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IV. ASSET ALLOCATION & BENCHMARKS

The asset allocation strategy has been formulated to reflect the Investment Committee's risk tolerance. The strategy is based on a fully diversified portfolio containing an asset mix comprised of classes with a low correlation to each other. Diversification in this manner allows for lower portfolio Standard Deviation (risk) while maximizing portfolio total return.

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)


Permitted investments, benchmarks, maturity restrictions and asset allocations are listed below.

Investment (See Footnotes)		A. Funds in excess of current funded capital projects	B. Endowment
Maximum Maturity		30 years	30 years

	Range	Target Percentage ²	
Fixed Securities\Benchmarks	30%-5060%		
Corporate Bonds\ <i>Barclays Corp Bond Index</i>	0%-45%	15%	20%
Short-term Gov't. Notes/Bills/Money Mkt Accts\ <i>Barclays 1-5 Year Gov't Bond Index</i>	0%-45%	15%	5%
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Equity Securities\Benchmarks	5040%-70%		
Large Cap Value\ <i>Russell 1000 Value</i>	10%-30%	20%	20%
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Large Cap Growth\ <i>Russell 1000 Growth</i>	5%-15%	10%	10%
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Specialty - Oil, Basic Materials, Energy, Healthcare, etc. \ <i>DJ Healthcare Index, GS Natural Resources Index</i>	0%-11%	3%	3%

² Donated real and personal property is to be excluded from the portfolio for calculation of maximum percentage.

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IV. ASSET ALLOCATION & BENCHMARKS (Continued)

The asset allocation strategy will be reviewed at least annually by the Investment Committee to ensure its relevance to changing capital market conditions, spending needs, time horizon and/or tolerance for risk. The asset mix will be reviewed at least quarterly. When deemed appropriate, the asset mix will be rebalanced within a reasonably practicable period of time.

Market conditions may provide opportunities for reduced risk by maintaining an asset allocation strategy slightly different than that reflected above of 40% Fixed Income and 60% Equities. Accordingly, the Chief Financial Officer, with the concurrence of both the Investment Advisor and a designated representative of the Investment Committee, may elect to maintain an asset allocation strategy of up to 10% above or below the asset allocation targets above. The Fixed Income allocation may range from ~~35~~30% to ~~45~~50% and the Equities allocation may range from ~~55~~40% to ~~65~~70% of the investment portfolio.

V. INVESTMENT GUIDELINES

A. Third Party Agreement

All securities purchased under this policy shall be properly designated as an asset of and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the United States Government or the State of Florida. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by any two persons so authorized by the Board. The Finance Committee shall recommend custodial banks or institutions for approval and/or removal to the Board.

B. Fixed-Income


Diversification

No more than 2% of the managers fixed income portfolio at cost at time of purchase shall be invested in any one issue. There shall be no limit on securities of the U.S. Government, its agencies or their instrumentalities.

Quality


Corporate bonds must have a credit rating of A or higher when purchased. All securities held shall maintain an investment-grade rating. In the case of a split

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rating, the higher rating shall apply. If a downgrade causes a violation of these guidelines, such downgraded security may be held at the manager's discretion. If the security rating falls below the minimum required rating, the Investment Manager will inform the Investment Committee as to their recommended course of action. If the security is to be held the Investment Manager will, at a minimum, report quarterly any changes in conditions or recommendations.

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Fixed Income Securities

Portfolio investments will consist primarily of:

- straight and convertible bonds, notes, bills, money market instruments and other evidences of indebtedness ;
- mortgage-related securities;
- asset-backed securities;
- variable and floating rate securities;
- securities issued by municipalities (both taxable and tax-exempt); and
- the mutual fund of a registered investment advisor may be used and the prospectus will supersede the permissible securities listed above.

C. Equities

All equity securities must be registered on a national exchange.

Diversification

No more than 2% of the manager's portfolio at cost, and 5% at market value, shall be invested in any one company.


Quality

Only securities whose quality is generally classified as investment-grade are permissible.

Turnover

There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the manager is given the flexibility to adjust the asset mix and security selection to changing market expectations.

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- securities convertible into common stocks;
- mutual funds of U.S. common stocks;
- mutual funds of International Equities; and
- mutual funds of Emerging Market Equities.

Investment Restrictions:

The account will not:

- purchase any security, if as a result, more than 20% of its total assets (valued at the time of purchase) would be invested in a single industry (for purposes of this restriction, the term industry shall have the meaning attributed to it by Standard & Poors Corporation);
- borrow money or pledge its assets;
- buy or sell real estate or interests in real estate, although it may purchase and sell (a) securities which are secured by real estate and (b) securities of companies which invest or deal in real estate;
- engage in the purchase and sale of futures or futures contracts
- purchase securities on margin;
- engage in short sales of securities or maintain a short position, unless at all times when a short position is open the account owns or has the right to obtain at no added cost securities identical to those sold short;

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Investment Restrictions (Continued):

- purchase warrants;
- provide venture capital or invest in the securities of venture capital companies; and
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VI. PERFORMANCE STANDARDS

Performance of the portfolio shall be reported monthly by the Investment Manager to the Chief Financial Officer. Investment performance will be monitored quarterly and manager performance will be evaluated at least annually. Performance goals are expressed as total rates of return, recognizing both realized and unrealized gains and losses. Thus there is no incentive to sell a security solely to realize a gain. The decision to realize gains and losses will therefore be made for the purpose of furthering the long term goals and objectives of the plan, and not merely to satisfy short-term performance measures. Reports shall include details of the characteristics of the portfolio as well as its performance for that period.

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- establish an investment committee. Members of the Investment Committee shall have no active interest in the investments of the funds. The committee membership shall reflect a diversity of financial disciplines covering the types of instruments in which Halifax Health Foundation may invest.

Committee Responsibilities:

The Finance Committee responsibilities include:

- recommend this policy and any changes thereto, to the Board; and
- participate in an annual performance review of this policy as it applies to Halifax Health Foundation.


The Investment Committee responsibilities include:

- review overall investment performance on an interim basis;
- review investment manager performance at least annually; and
- recommend policy changes to the Finance Committee.

Chief Financial Officer Responsibilities:

Direct responsibility for coordination of investment management in accordance with this policy rests with the Chief Financial Officer.

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Investment Manager(s) Responsibilities:

An independent professional investment management firm(s), hereinafter the "Investment Manager" is required to manage the investment of all funds listed above. Such firm(s) shall be selected by the Board. Investment Manager(s) shall accept full fiduciary responsibility for the accounts they manage.

Exceptions to the Policy may be permitted on a case by case basis as determined by the Chief Financial Officer. However, funds not invested by the professional manager(s) shall be explained in writing by the Chief Financial Officer, submitted to the Finance Committee on a quarterly basis, and reviewed as part of the Investment Committee activities.

The investment managers' responsibilities include:

- provide a quarterly portfolio performance review with annual, or more frequent, on-site presentations;
- present, upon request, of the manager's outlook, what investment decisions this outlook may trigger, and how these decisions could impact future results;
- recommend changes in the objectives, goals, or standards, based upon material and sustained changes in the capital markets;
- review and re-appraise, upon request, of the aforementioned investment program;
- comment, upon request, on investment results in light of the appropriate standards of performance;
- furnish a synopsis of key investment decisions made by the manager(s) with the underlying rationale and how those decisions could impact future results; and
- provide monthly portfolio updates including portfolio valuations and transaction ledgers including purchase and sale information.

Halifax Health Audit & Finance Committee

Request Tracker/Checklist

Meeting Date	Request	Projected Timeline	Frequency of Future Updates/Reports	Completed (Y/N)	Other
November 2, 2016	Comparison of FY 2016 physician practice visits to annualized FY 2015	November 30, 2016 Meeting	One Time Request		
November 2, 2016	2017 Capital Budget and Remaining 2016 Capital Projects for Committee and Board Approval	November 30, 2016 Meeting	One Time Request		
November 2, 2016	Hospice Market Share Report Over Last Five Years	November 30, 2016 Meeting	One Time Request		
N/A	Bond Transaction Summaries & Interest Cost Savings to Halifax Health Medical Center	2-Nov-17	N/A	Y	

Halifax Health

Comparison of FY 2016 physician practice visits to annualized FY 2015

	Fiscal Year September 30,					Practice Beginning
	2015	2015 Annualized	2016	Var.	# of months - 2015	Date
<u>Primary Care Visits</u>						
Ormond Beach	2,981	2,981	3,126	4.9%	12	April 8, 2014
Daytona Beach	2,151	12,906	12,935	0.2%	2	August 3, 2015
Port Orange - Dr Kim	138	828	1,334	61.1%	2	August 3, 2015
Port Orange - Dr Buchanan			4,072		0	February 1, 2016
Deltona	4,330	4,330	5,164	19.3%	12	April 1, 2014
Ormond Beach (Women's/OB)	4,285	4,285	5,274	23.1%	12	Oct 15, 2013
Primary Care Visits	13,885		31,402			
<u>Children's Medical Center Visits</u>						
Ormond Beach	7,587	7,587	8,859	16.8%	12	January 1, 2014
Palm Coast	4,373	4,373	4,851	10.9%	12	January 1, 2014
Port Orange	4,624	4,624	5,573	20.5%	12	January 1, 2014
Children's Medical Center Visits	16,584		19,283			

Prepared: November 11, 2016

Halifax Health

Capital Budget

FY 2017

(Dollars in Thousands)

Item	Information Technology	Amount
1	IT Enterprise Projects	\$1,700
2	IT Internal Resource Capitalization	700
3	Laptop/Desktop Replacement (rolling 4-5 year cycle)	300
4	WOW Replacement (rolling 7 year cycle) - 50/yr.	200
5	Enterprise Infrastructure	100
	Total Information Technology	\$3,000
Item	Medical Equipment	
6	Cath Lab Replacement	\$1,841
7	Vendor Neutral Archive (VNA) for Enterprise Imagi	1,500
8	Power equipment (Ortho)	500
9	Intraoperative Radiation Therapy - Breast site	425
10	CT Scanner- Big Bore	350
11	Critical Care Beds	281
12	OeC O.R. C-Arm (One Machine)	225
13	Power equipment (Neuro)	225
14	Replace obsolete surgical tables (6)	220
15	Prostate Biopsy	170
16	Med/Surg Beds	163
17	IRIS Replacement	150
18	Robotics Single Site	125
19	Medical Equipment Emergency Purchases	1,000
20	Medical Equipment Projects under \$100,000	1,000
	Total Medical Equipment	\$8,174
Item	Infrastructure/Facilities	
21	T-Zone AHU (Fountain 5, 6, 7)	\$1,000
22	CVICU/ CPCU Renovation	816
23	Bronch Renovation	381
24	GI Lab Renovation	280
25	Lab Roof	265
26	Ophthalmology Microscope and Room Renovation	258
27	Infrastructure Emergency Purchases	1,000
28	Infrastructure Projects under \$100,000	1,000
	Total Infrastructure/Facilities	\$5,000
Item	Hospice Capital Expenditures	
29	SE Volusia Air Conditioning Units	\$175
30	Remaining Hospice Capital	125
	Total Hospice Capital Expenditures	\$300
Item	Other	
31	Service Expansion	\$3,526
	Subtotal Other Projects	\$3,526
	Total	\$20,000

* 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
Remaining 2016 Capital Projects Greater Than \$50k - Pending Board Approval
As of November 1, 2016
(Dollars in Thousands)

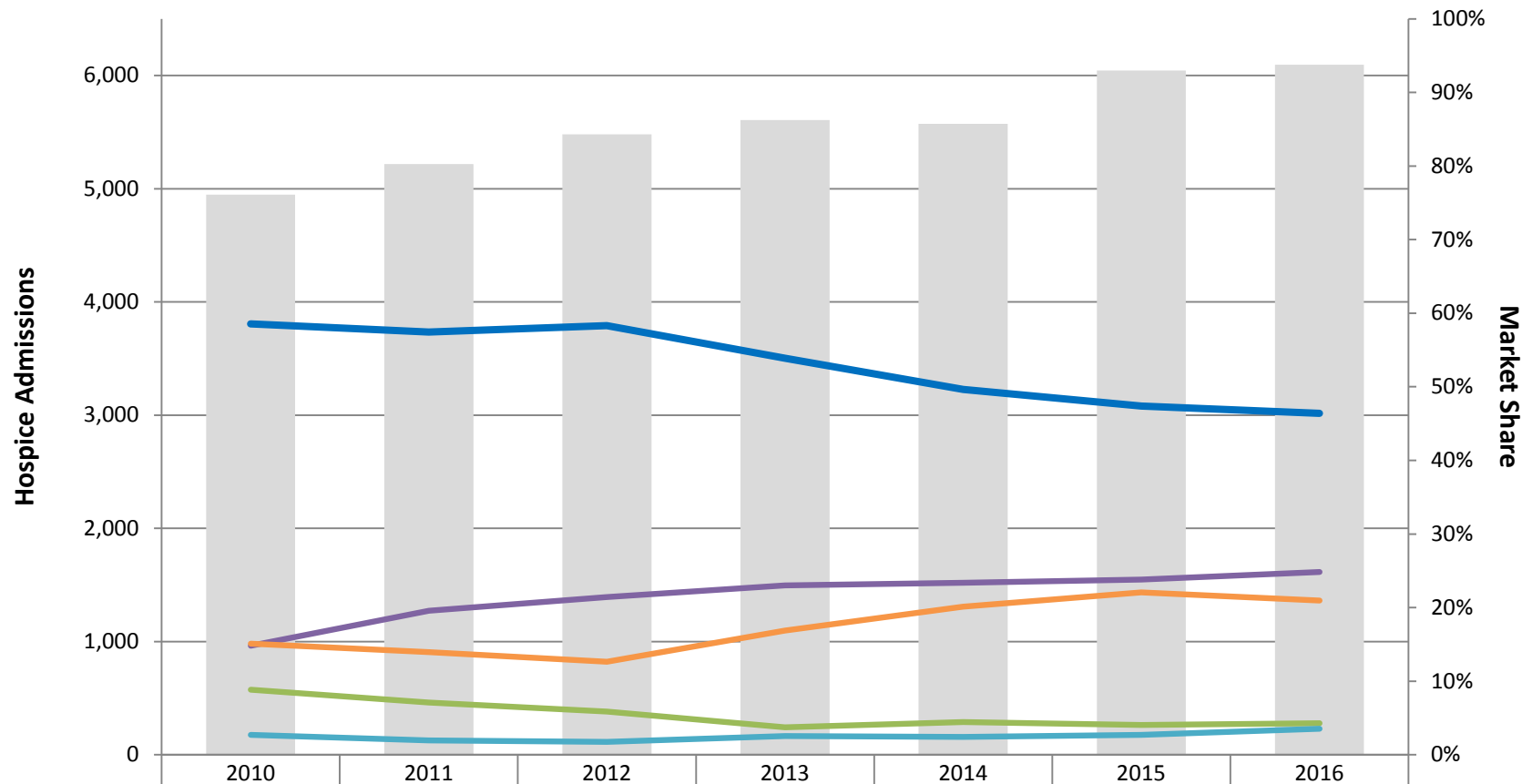
CVICU & CPCU Renovation	\$816	*
Fire Alarm System	700	
SAN Software	594	*
Surgical Power Equipment- Small Bone Orthopedics	488	
Endoscopic Ultrasound for GI with Video Scopes (Qty 4)	441	*
Air Handling Unit #5 for Facility Expansion Roof	231	
WOW Carts (Qty 55)	198	*
Air Handling Unit #1 for SPD Area	189	
Neurosurgical Power Equipment	181	
Network Switched for Patient Monitoring	134	
Pump Speed Controls for Heart-Lung Machines (Qty 3)	100	
Pulmonary Function Tester	68	*
Total	\$4,141	

* Submitted for approval at the November 30, 2016 Finance Committee meeting.

Hospice District 4B (Volusia/Flagler)

Admissions & Market Share

for the twelve months ended June 30



Admissions	4,948	5,219	5,481	5,606	5,573	6,045	6,096
Halifax Health	58.6%	57.4%	58.3%	53.9%	49.6%	47.4%	46.4%
Vitas	14.8%	19.6%	21.4%	23.0%	23.4%	23.8%	24.9%
Florida Hospital	15.1%	13.9%	12.6%	16.9%	20.1%	22.1%	20.9%
Kindred	8.8%	7.1%	5.9%	3.7%	4.5%	4.1%	4.3%
Haven	2.7%	1.9%	1.8%	2.5%	2.4%	2.7%	3.5%

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

for the twelve months ended June 30

Market Share	2010	2011	2012	2013	2014	2015	2016
Halifax Health	58.6%	57.4%	58.3%	53.9%	49.6%	47.4%	46.4%
Florida Hospital	15.1%	13.9%	12.6%	16.9%	20.1%	22.1%	20.9%
Haven	2.7%	1.9%	1.8%	2.5%	2.4%	2.7%	3.5%
Kindred	8.8%	7.1%	5.9%	3.7%	4.5%	4.1%	4.3%
Vitas	14.8%	19.6%	21.4%	23.0%	23.4%	23.8%	24.9%

Admissions	2010	2011	2012	2013	2014	2015	2016
Halifax Health	2,898	2,998	3,197	3,020	2,766	2,864	2,828
Florida Hospital	746	728	692	946	1,121	1,333	1,277
Haven	133	101	96	142	135	164	215
Kindred	437	370	321	208	248	245	261
Vitas	734	1,022	1,175	1,290	1,303	1,439	1,515
Total Admissions	4,948	5,219	5,481	5,606	5,573	6,045	6,096

Halifax Health
Investment Manager Performance Report - through October 31, 2016

		October Performance	Calendar YTD	Calendar 2015	Fiscal Year
Fixed Income					
VFSIX - Vangaurd Short-Term Investment Gr.	Perf	-0.03%	3.66%	1.16%	-0.03%
	BMK	-0.16%	2.48%	0.97%	-0.16%
VSGDX - Vanguard Short-Term Federal	Perf	-0.08%	2.01%	0.83%	-0.08%
	BMK	-0.21%	1.97%	0.93%	-0.21%
Ponder Short-term Government/Corporate	Perf	-0.27%	3.00%	1.93%	-0.27%
	BMK	-0.16%	2.48%	0.97%	-0.16%
Ponder US Treasury Account	Perf	-0.02%	0.46%	n/a	-0.02%
	BMK	-0.04%	0.46%	n/a	-0.04%
Ponder Short-Term Government	Perf	-0.12%	1.59%	0.74%	-0.12%
	BMK	-0.21%	1.97%	0.93%	-0.21%
Ponder 2016 Project Fund	Perf	0.02%	0.37%	n/a	0.02%
	BMK	-0.04%	0.64%	n/a	-0.04%
Weighted Composite	Perf	-0.06%	2.64%	1.18%	-0.06%
	BMK	-0.14%	1.96%	0.96%	-0.14%
Equities					
DFSVX - DFA Small Cap Value	Perf	-3.14%	7.98%	-7.81%	-3.14%
	BMK	-3.29%	11.69%	-7.47%	-3.29%
DFLVX - DFA Large Cap Value	Perf	-1.72%	7.57%	-3.49%	-1.72%
	BMK	-1.55%	8.29%	-3.83%	-1.55%
DFIVX - DFA International Value	Perf	1.24%	4.44%	-6.31%	1.24%
	BMK	-1.94%	1.12%	-3.04%	-1.94%
DFEVX - DFA Emerging Markets	Perf	2.18%	23.65%	-18.77%	2.18%
	BMK	0.24%	16.30%	-14.92%	0.24%
VGELX - Vanguard Energy	Perf	-2.96%	22.55%	-21.44%	-2.96%
	BMK	-1.06%	17.55%	-22.20%	-1.06%
VENAX - Vanguard Energy Index	Perf	-3.73%	15.38%	-24.16%	-3.73%
	BMK	-1.06%	17.55%	-22.20%	-1.06%
VIGIX -Vanguard Large-Cap Growth	Perf	-2.65%	3.76%	3.33%	-2.65%
	BMK	-2.35%	3.51%	5.67%	-2.35%
VGHAX - Vanguard Health Care	Perf	-7.66%	-10.59%	12.71%	-7.66%
	BMK	-6.78%	-8.13%	6.33%	-6.78%
VSGIX - Vanguard Small-Cap Growth	Perf	-5.41%	3.28%	-2.52%	-5.41%
	BMK	-6.21%	0.80%	-1.38%	-6.21%
Weighted Composite	Perf	-2.06%	6.85%	-4.34%	-2.06%
	BMK	-2.68%	6.12%	-3.49%	-2.68%

Halifax Health
Investment Manager Performance Report - through October 31, 2016

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
HH Holdings				
VFSIX - Vanguard Short-Term Invest Grade	\$ 53,005,925	Perf -0.03% BMK -0.16%	3.66% 2.48%	-0.03% -0.16%
Ponder Short-Term Gov't/Corporate	32,009,600	Perf -0.27% BMK -0.16%	3.00% 2.48%	-0.27% -0.16%
Ponder US Treasury Account	80,362,932	Perf -0.02% BMK -0.04%	0.46% 0.46%	-0.02% -0.04%
Total HH Holdings	<u>\$ 165,378,457</u>	Composite Budget	-0.07% 3.06%	-0.07% 0.08%
HHMC				
Ponder Short-Term Government	\$ 42,261,277	Perf -0.12% BMK -0.21%	1.59% 1.97%	-0.12% -0.21%
VSGDX - Vanguard Short-Term Federal	64,487	Perf -0.08% BMK -0.21%	2.01% 1.97%	-0.08% -0.21%
Wells Fargo Halifax Hospital Trust	605,668	Perf 0.03% BMK -0.21%	0.28% 1.97%	0.03% -0.21%
Ponder 2016 Project Fund	12,673,026	Perf 0.02% BMK -0.04%	0.37% 0.64%	0.02% -0.04%
Total HHMC	<u>\$ 55,604,458</u>	Composite Budget	-0.09% 1.98%*	-0.09% 0.08%

**Includes performance thru 3/31/16 for Wells Fargo Repurchase Agreements*

Halifax Health
Investment Manager Performance Report - through October 31, 2016

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
Foundation				
VFSIX - Vanguard Short-Term Invest Grade	\$ 21,244,388	Perf -0.03% BMK -0.16%	3.66% 2.48%	-0.03% -0.16%
DFSVX - DFA Small Cap Value	3,460,044	Perf -3.14% BMK -3.29%	7.98% 11.69%	-3.14% -3.29%
DFIVX - DFA International Value	1,804,109	Perf 1.24% BMK -1.94%	4.44% 1.12%	1.24% -1.94%
DFEVX - DFA Emerging Markets	652,127	Perf 2.18% BMK 0.24%	23.65% 16.30%	2.18% 0.24%
DFLVX - DFA Large Cap Value	7,177,384	Perf -1.72% BMK -1.55%	7.57% 8.29%	-1.72% -1.55%
VGELX - Vanguard Energy	451,481	Perf -2.96% BMK -1.06%	22.55% 17.55%	-2.96% -1.06%
VENAX - Vanguard Energy Index	209,287	Perf -3.73% BMK -1.06%	15.38% 17.55%	-3.73% -1.06%
VIGIX -Vanguard Large-Cap Growth	3,406,865	Perf -2.65% BMK -2.35%	3.76% 3.51%	-2.65% -2.35%
VGHAX - Vanguard Health Care	615,052	Perf -7.66% BMK -6.78%	-10.59% -8.13%	-7.66% -6.78%
VSGIX - Vanguard Small-Cap Growth	3,403,684	Perf -5.41% BMK -6.21%	3.28% 0.80%	-5.41% -6.21%
Total Foundation	<u>\$ 42,424,421</u>	Composite Budget	5.04%	-1.28% 0.33%

Halifax Health
Investment Manager Performance Report - through October 31, 2016

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
Hospice				
VFSIX - Vanguard Short-Term Invest Grade	\$ 32,702,076	Perf -0.03% BMK -0.16%	3.66% 2.48%	-0.03% -0.16%
DFSVX - DFA Small Cap Value	5,353,821	Perf -3.14% BMK -3.29%	7.98% 11.69%	-3.14% -3.29%
DFIVX - DFA International Value	2,789,228	Perf 1.24% BMK -1.94%	4.44% 1.12%	1.24% -1.94%
DFEVX - DFA Emerging Markets	1,165,447	Perf 2.18% BMK 0.24%	23.65% 16.30%	2.18% 0.24%
DFLVX - DFA Large Cap Value	10,562,747	Perf -1.72% BMK -1.55%	7.57% 8.29%	-1.72% -1.55%
VGELX - Vanguard Energy	99,764	Perf -2.96% BMK -1.06%	22.55% 17.55%	-2.96% -1.06%
VENAX - Vanguard Energy Index	557,820	Perf -3.73% BMK -1.06%	15.38% 17.55%	-3.73% -1.06%
VIGIX - Vanguard Large-Cap Growth	5,584,119	Perf -2.65% BMK -2.35%	3.76% 3.51%	-2.65% -2.35%
VGHAX - Vanguard Health Care	534,809	Perf -7.66% BMK -6.78%	-10.59% -8.13%	-7.66% -6.78%
VSGIX - Vanguard Small-Cap Growth	5,629,472	Perf -5.41% BMK -6.21%	3.28% 0.80%	-5.41% -6.21%
Total Hospice	<u>\$ 64,979,303</u>	Composite -1.26% Budget 0.33%	5.03%	-1.26%

Halifax Health
Investment Manager Performance Report - through October 31, 2016

	Invested Balance	October Performance	Calendar YTD	Fiscal YTD
Pension				
VFSIX - Vanguard Short-Term Invest Grade	\$ 124,345,480	Perf -0.03% BMK -0.16%	3.66% 2.48%	-0.03% -0.16%
DFSVX - DFA Small Cap Value	17,574,193	Perf -3.14% BMK -3.29%	7.98% 11.69%	-3.14% -3.29%
DFIVX - DFA International Value	30,624,831	Perf 1.24% BMK -1.94%	4.44% 1.12%	1.24% -1.94%
DFEVX - DFA Emerging Markets	10,866,914	Perf 2.18% BMK 0.24%	23.65% 16.30%	2.18% 0.24%
DFLVX - DFA Large Cap Value	24,998,350	Perf -1.72% BMK -1.55%	7.57% 8.29%	-1.72% -1.55%
VGELX - Vanguard Energy	4,163,226	Perf -2.96% BMK -1.06%	22.55% 17.55%	-2.96% -1.06%
VENAX - Vanguard Energy Index	4,924,854	Perf -3.73% BMK -1.06%	15.38% 17.55%	-3.73% -1.06%
VIGIX -Vanguard Large-Cap Growth	13,625,711	Perf -2.65% BMK -2.35%	3.76% 3.51%	-2.65% -2.35%
VGHAX - Vanguard Health Care	8,000,987	Perf -7.66% BMK -6.78%	-10.59% -8.13%	-7.66% -6.78%
VSGIX - Vanguard Small-Cap Growth	14,035,950	Perf -5.41% BMK -6.21%	3.28% 0.80%	-5.41% -6.21%
Wells Fargo Cash	4,315,503			
Total Pension	<u>\$ 257,475,999</u>	Composite -0.95% Assumed	5.28%	-0.95% 0.56%
Total Halifax Health, including Pension	<u>\$ 585,862,638</u>			
Total Halifax Health, excluding Pension	<u>\$ 328,386,639</u>			

INFORMATIONAL REPORT

November 30, 2016

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

DESCRIPTION	DEPARTMENT	SOURCE OF FUNDS	TOTAL
Infant Warmer Bed	Pediatric Intensive Care Unit	Working Capital	\$26,861

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: Ann Martorano, Executive Vice President and Chief Operating Officer
CC: Eric Peburn, Executive Vice President and Chief Financial Officer
Catherine Luchsinger, RN, Chief Nursing Officer
DATE: November 15, 2016
RE: Infant Warmer Bed

Halifax Health Pediatric Intensive Care Unit (PICU) is requesting funds to purchase an infant warmer bed. The new bed will replace a bed that has reached end of life and parts are no longer available.

Infant warmer beds are used in the PICU when an infant requires frequent nursing or physician procedures, close patient monitoring, or is on life-saving devices such as a ventilator. These specialty beds allow for quick access to the patient while maintaining the infants' temperature. Temperature stability in an infant while in intensive care is paramount to positive outcomes. With this purchase we can continue to deliver safe and compassionate care in the PICU.

The project was approved at the Capital Investment Committee meeting on October 19, 2016.

TOTAL CAPITAL COSTS \$26,861



Halifax Health

Project Evaluation

Infant Bed Warmer

Chief Operating Officer:	Ann Martorano
Chief Nursing Officer:	Catherine Luchsinger
Finance Analysis by:	Steve Mach

Summary

Need:

This project will replace and bed warmer in the Pediatric Intensive Care Unit that is approaching end of life.

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
Compassion

X

Image
Efficiency

X

Investment/Return:

Acquisition Cost	<u>\$ 26,861</u>
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Recommendation for approval of the project is not based upon incremental return on investment.