HALIFAX HEALTH

Audit & Finance Committee

Wednesday, January 9, 2019

Meeting Location

Halifax Health

France Tower, Conference Room A

4:00 p.m.

HALIFAX HEALTH AUDIT & FINANCE COMMITTEE

4:00 p.m., Wednesday, January 9, 2019

AGENDA

I. CALL TO ORDER

II. MINUTES

• Investment Committee, August 13, 2018	portal page 3 , action requested
• Audit & Finance Committee, October 31, 2018	portal page 5, action requested

III. AUDIT COMMITTEE

Corporate Compliance, *Shelly Shiflet*

• Monthly Compliance Dashboard Reports	portal page 8, **information only**

Internal Audit, *Bill Rushton*

• Audit Services Discussion and Analysis	portal page 12, action requested

FY 2018 Draft Audited Financial Statements, *Lisa Tyler*	action requested
• Audit Committee Presentation, *Jon Hillmann, RSM*	portal page 23
• Halifax Hospital Medical Center Financial Report Draft	portal page 42
• Halifax Hospice, Inc. Financial Report Draft	portal page 106
• Halifax Health Pension Plan Report Draft	portal page 135

IV. FINANCE COMMITTEE

Financial Report, *Eric Peburn*

• YTD FY19 Operating Performance Update	portal page 157, **presentation**
• November 2018	portal page 162, action requested

Acquisitions, Leases and Disposals, *Kent Bailey*

• Capital Investment Strategy, November 2018		portal page 186, **information only**
• Capital Expenditures $50,000 and over		portal page 190, action requested
• *Mobile X-ray System*	*$138,625*	
• *Ultrasound Echocardiogram for EP Lab*	*$120,226*	
• *Dialysis Machines*	*$91,720*	
• Disposals, November 2018		portal page 197, action requested
• Comparison of Projected and Actual Financial Results for Significant Projects		none

Old Business

• Meeting Request Tracker/Checklist	portal page 198, **information only**
• RFP, Investment Advisory Services Status Update	discussion, **information only**

New Business

• Annual Conflict of Interest Disclosure	portal page 199

Information Only

• Discharged Based - Average Length of Stay and Case Mix Index		portal page 205, **information only**
• Investment Performance Report, November 2018		portal page 207, **information only**
• Capital Expenditures $25,000 - $50,000		portal page 212, **information only**
• *Renovation of the Daytona ROC Pharmacy*	*$49,236*	
• *CT Console for HHPO Radiology*	*$40,000*	
• *Skull Clamp for Surgical Services*	*$26,113*	

V. OPEN DISCUSSION

VI. NEXT MEETING **Wednesday, February 27, 2019, 4 p.m. Regular Meeting**

VII. PUBLIC PARTICIPATION/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 13, 2018

Present:	Ted Serbousek, Chairman & Chairman, Audit & Finance Committee Dan Francati, Member & Member, Audit & Finance Committee & Vice Chairman, Board of Commissioners Dave Graffagnino, Member Greg Motto, Member, Audit & Finance Committee Mike Walsh, Advisor Decker Youngman, Member, Audit & Finance Committee
Not Present:	Susan Schandel, Member & Member, Audit & Finance Committee & Treasurer, Board of Commissioners
Also Present:	Jeff Feasel, President & Chief Executive Officer Eric Peburn, Executive Vice President & Chief Financial Officer Kent Bailey, Director of Finance Lisa Tyler, Corporate Controller Ben Eby, Director of Finance, Halifax Health Hospice Joe Petrock, Executive Director, Halifax Health Foundation Arvin Lewis, Sr. VP/Chief Revenue Officer Andrew Colantonio, Dimensional Fund Advisors Jim Charles, Dimensional Fund Advisors Marcus Axthelm, Dimensional Fund Advisors Kathleen Dulko, Ashford Investment Advisors

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The meeting was called to order at 4:00 p.m. by Ted Serbousek.

Minutes

Discussion: Minutes from the May 14, 2018 Investment Committee meeting were reviewed.

Action: Mr. Graffagnino moved to approve the May 14, 2018 Investment Committee minutes as presented. Mr. Francati seconded the motion and it carried unanimously.

Manager Presentation

Discussion: Manager Presentation – Dimensional Fund Advisors (DFA)
Mr. Charles, Mr. Axthelm and Mr. Colantonio from DFA were introduced and presented a portfolio update (board portal).

Action: None required.

Manager Assessment, Quarterly Review and Allocation Review

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

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

Discussion: Mr. Walsh, Ashford Investment Advisors, presented the investment review for the 2nd calendar quarter, ended 6/30/2018. Review of allocation was included within overall discussion as information only.

Action: None required.

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 and completed. Proposed change to the asset allocation strategy of the Pension Plan is recommended (see separate memo).

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

Discussion: Annual Investment Policies Review
Mr. Bailey reported that the investment policies of Halifax Hospital Medical Center, H.H. Holdings, Hospice, the Foundation and the Pension Plan were included for review. In order to clarify the targeted investment allocation percentages in the Hospice, Foundation, and Pension Plan policies, red-line changes to the policies were recommended and should be reviewed/approved by each of the respective boards (Hospice, Foundation, Staffing).

In addition, Mr. Walsh recommended the Pension Plan, Emerging Markets targeted investment allocation be lowered. The lower Emerging Markets allocation percentage will make the Pension Plan investment returns more stable, as this investment category has experienced significant volatility. The allocation range is proposed to be changed from "3%-7%" to "0%-7%" in the Halifax Health Pension Plan investment policy.

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

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

Action: Mr. Francati moved to approve that no changes to the Annual Investment Charter were required. Mr. Motto seconded the motion and it carried unanimously.

Informational Only

Discussion: Investment Performance Report, June 2018

Action: None required.

Next Meeting: Monday, November 12, 2018, 4 p.m. – Regular scheduled meeting

Open Discussion

Discussion: None.

Adjournment

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Ted Serbousek

Halifax Hospital Medical Center
Audit and Finance Committee Meeting
303 N. Clyde Morris Blvd., France Tower, Conference Room A
Wednesday, October 31, 2018

Present:	Ted Serbousek, Chairman Daniel Francati, Member & Vice Chairman, Board of Commissioners Ammar Hemaidan, MD, Member & Member, Medical Staff
Via Phone:	Greg Motto, Member
Not Present:	Susan Schandel, Member & Treasurer, Board of Commissioners Decker Youngman, Member
Also Present:	Jeff Feasel, President & CEO Eric Peburn, Executive VP/Chief Financial Officer Bill Rushton, Director, Internal Audit Shelly Shiflet, Chief Compliance Officer Kent Bailey, Director of Finance Lisa Tyler, Corporate Controller Bob Wade, Compliance Expert Alberto Tineo, Senior VP, COO Hospitals Arvin Lewis, SVP & CRO Bob Williams, Population Health & Business Development Tony Trovato, Hospice Derik Rife, IT Security Risk Manager
Via Web:	Jared Hamilton, Crowe Ryan Reynold, Crowe Joe Riscica, Presido Charlie Winckless, Presido

The meeting was called to order at 4:05 p.m. by Chairman Serbousek. Attendance was recorded. Chairman Serbousek modified the agenda so the guests would present at the onset of the meeting.

AUDIT COMMITTEE

Penetration Testing Presentations, WebEx

Discussion: Mr. Rife explained to the committee that representatives from two companies, Crowe and Presido, would be presenting separately via WebEx the respective proposals addressing penetration testing and assessment services for Halifax Health. Each presentation featured the scope and approach details, risk areas and timelines. Brief discussion related to each presentation ensued.

Action: None required.

MINUTES

Discussion: Minutes from the August 29, 2018 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. Dr. Hemaidan seconded the motion and it carried unanimously.

CORPORATE COMPLIANCE

Discussion: Monthly Compliance Program Update Dashboard

Ms. Shiflet provided a brief civil investigate demand (CID) update, stating 130,000 documents were produced by our E-vendor in response to the initial search. She stated that outside counsel will potentially perform key interviews at the end of November.

Ms. Shiflet presented the Compliance Dashboard for the months ended August 31, 2018 and September 30, 2018. Ms. Shiflet cited the attendance of the Compliance Committee fell short of the 70% or greater internal target in August 2018. In addition, in the September 2018 dashboard, Ms. Shiflet noted that it was discovered that a Halifax Brooks Inpatient coder did not complete the covered persons training. The coder completed training and the exception will be reported in the annual report.

Ms. Shiflet provided a brief update regarding hard coded medical director payments within the Kronos system. Mr. Serbousek requested a written procedure for reviewing physician payments be provided to the committee.

Action: None required.

INTERNAL AUDIT

Discussion: Mr. Rushton led committee members through IADA that included highlights of the FY 2017/18 Audit Results, recently completed audits and an analyses of hours assigned to each FY 19 audit responsibility. Discussion ensued relating to co-sourcing audit service for items that are on the FY 19 audit plan or pending.

Action: Dr. Hemaidan moved to approve the Summary of Audit Reports and the Audit Follow-up Summary report. Mr. Francati seconded the motion and it carried unanimously.

FINANCE COMMITTEE

FINANCIAL REPORT

Discussion: Mr. Peburn reviewed the September 2018 Financial Report, reporting there were two complete system conversions that impacted performance and collections for the quarter. Discussion ensued regarding charge capture and net revenue impacted. Mr. Lewis reported that he is identifying payers, tracking trends, and management has been versed in revenue capture. Mr. Motto requested a supplemental document providing trends to the committee prior to the next meeting.

Action: Mr. Francati moved to approve the September 2018 Financial Report and recommends approval by the Halifax Health Board of Commissioners. Dr. Hemaidan seconded the motion and it carried unanimously.

ACQUISITIONS, LEASES & DISPOSALS

Discussion: Capital Investment Strategy, September 2018

Action: None required.

Discussion: Capital Expenditures $50,000 and over

- *Negative Pressure Wound Vacuum Units* — *$357,500*
- *Diagnostic Ultrasound for Halifax Health Port Orange* — *$147,093*
- *Halifax/Brooks Physical Medicine & Rehabilitation Practice Renovation* — *$91,000*

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

Discussion: Disposals, September 2018

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

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

Action: No update; none required.

OLD BUSINESS

Discussion: Meeting Request Tracker/Checklist
Mr. Peburn reported the data center's site and construction project was approved by the Agency for Healthcare Administration. .

Action: None required.

NEW BUSINESS

Discussion: 2019 Committee Meeting Calendar

Action: None required

INFORMATIONAL REPORTS

Discussion: The Schedule of Uses of Property Taxes for September 2018, the Discharged Based-Average Length of Stay and Case Mix Index, the Investment Performance Report for September 2018, and the Capital Expenditures, $25,000 - $50,000 were presented under Information Only. The Capital Expenditures $25,000 - $50,000 were as follows:

- *OneView Hospital Quality Reporting Software* *$49,900*
- *Fire Pump for Halifax Health Port Orange* *$48,000*
- *Laminar Flow Hoods and Work Benches for Pharmacy* *$45,333*

Action: None required.

OPEN DISCUSSION

NEXT MEETING DATE: **Monday, November 12, 2018, 4 p.m. Investment Committee Meeting**
Wednesday, January 9, 2019, 4 p.m. Regular Meeting

ADJOURNMENT

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

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Ted Serbousek, Chairman

HALIFAX HEALTH

To:	Audit and Finance Committee and Board of Commissioners
Cc:	Jeff Feasel, Chief Executive Officer
From:	Shelly Shiflet, Vice President, and Chief Compliance Officer
Date:	December 17, 2018
Re:	Compliance Dashboard Report for the month ended November 30, 2018

The Compliance Program Dashboard Report for November 2018 is attached.

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: Bob.Wade@btlaw.com
Office: 574-237-1107

I can be reached at: Shelly.Shiflet@halifax.org
Office: 386-425-4970

Recommended Action: None. Information only.

Halifax Health
Corporate Compliance Program
Board Report – 11/30/2018

ON TARGET (green) **ALERT** (red)

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 and other Covered Persons:

Status			
	➢		**Code of Conduct Attestation**[1]
	1.	4,091	Number of Covered Persons and Board Members required to complete as of end of period
On Target	2.	100%	% of Covered Persons who have completed (On Target at 100%)

Status			
	➢		**CIA Required Training**[2]
	1.	3,993	Number of Covered Persons and Board Members required to complete as of end of period
On Target	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:

Status			
	➢		**Sanction Check for Covered Persons**[3]
	1.	4,965	Number of Covered Persons as of the end of the period
On Target	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:

Status			
	1.	14	Number of members on *Compliance Committee*
On Target	2.	78.6%	% of members who attended the meeting (On Target at 70% or Greater) – last meeting date with approved minutes is 10/31/2018
On Target	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***

Status			
	1.	3 / 49	Number of Help Line calls received during month/past 12 months
	2.	0 / 21	Of calls in 1, how many related to Human Resource issues
	3.	0	Number of open Help Line calls rated as High Priority as of 10/31/2018
	4.	0	Number of open Help Line calls rated as High Priority as of 11/30/2018
	5.	5	Number of Help Line calls closed since last month

V. COMPLIANCE ISSUES

Status			
	1.	27	Number of issues open as of 10/31/2018
	2.	18	Of the issues in item 1, __ remain open as of 11/30/2018
	3.	9	Number of issues from item 1 closed as of 11/30/2018
On Target	4.	33%	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:

Status			
On Target	1.	1	Number of Compliance Policies reviewed/ updated in the last month (On Target at 1)

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.

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

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

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

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

HALIFAX HEALTH

To:	Audit and Finance Committee and Board of Commissioners
Cc:	Jeff Feasel, Chief Executive Officer
From:	Shelly Shiflet, Vice President, and Chief Compliance Officer
Date:	November 19, 2018
Re:	Compliance Dashboard Report for the month ended October 31, 2018

The Compliance Program Dashboard Report for October 2018 is attached.

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: Bob.Wade@btlaw.com
Office: 574-237-1107

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 – 10/31/2018

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 and other Covered Persons:

	➢	**Code of Conduct Attestation[1]**
	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 Training[2]**
	1. 3,989	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 Persons[3]**
	1. 4,949	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 *Compliance Committee*
	2. 76.9%	% of members who attended the meeting (On Target at 70% or Greater) – last meeting date with approved minutes is 9/26/2018
	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. 6 / 54	Number of Help Line calls received during month/past 12 months
	2. 5 / 27	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 9/30/2018
	4. 0	Number of open Help Line calls rated as High Priority as of 10/31/2018
	5. 3	Number of Help Line calls closed since last month

V. COMPLIANCE ISSUES

	1. 25	Number of issues open as of 9/30/2018
	2. 14	Of the issues in item 1, __ remain open as of 10/31/2018
	3. 11	Number of issues from item 1 closed as of 10/31/2018
	4. 44%	Percent of open issues from item 1 closed (On Target at 25% or Greater)

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

	1. 1	Number of Compliance Policies reviewed/ updated in the last month (On Target at 1)

VII. BILLING AND CODING REVIEWS - Halifax Health will conduct reviews as part of scheduled audits or to investigate concerns brought to the attention of the Compliance Committee or the Compliance Officer.

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

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

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

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

Audit Services Discussion & Analysis
Halifax Health Audit & Finance Committee

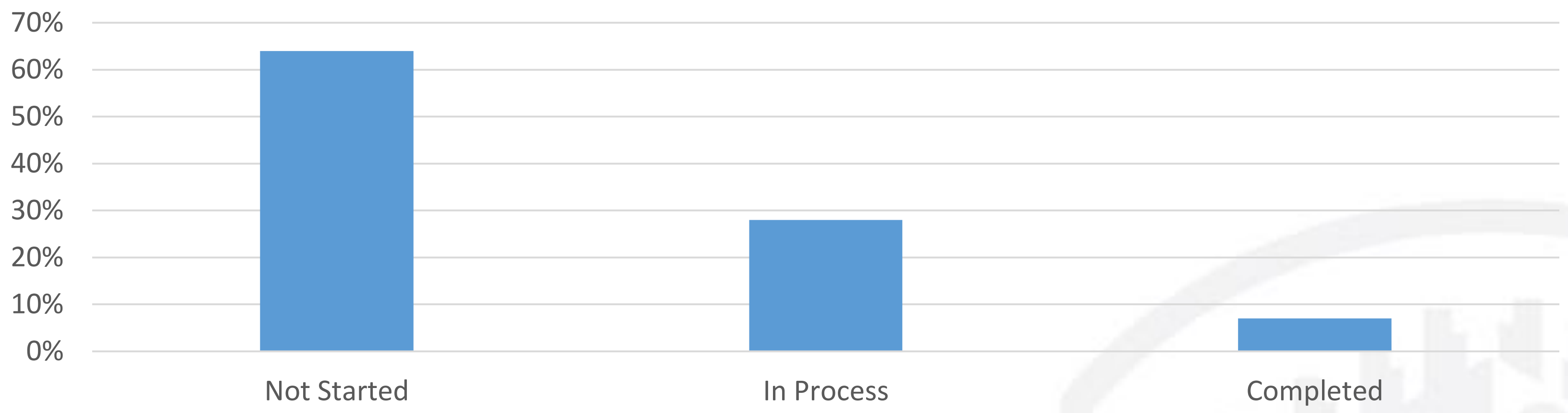
Presented January 9, 2019

For the period covering October 25, 2018 through December 27, 2018

HALIFAX HEALTH

halifaxhealth.org

Audit Plan: FY 19 Plan Status



FY Audit Plan	Internal	CoSource/External	Total Audits
Approved	11	3	14
Added	0	0	0
Removed	0	0	0
Revised Plan Total	14	0	14

See BoardEffect For Audit Plan Detail

HALIFAX HEALTH

Results: FY 19 Audit Projects

Audit Source	Project Name	Issues by Impact Level: High	Moderate	Low
IAS	2018 YE Audit Assistance		Completed	
Co Source	Deltona Construction Audit		Fieldwork	
IAS	Timekeeping – Casual Pool		Fieldwork	
IAS	Charge Capture		Planning	
IAS	IT Penetration Testing		Planning	
Co Source	Administrative Reimbursement & Expenses		Planning	

Executive Audit Summary

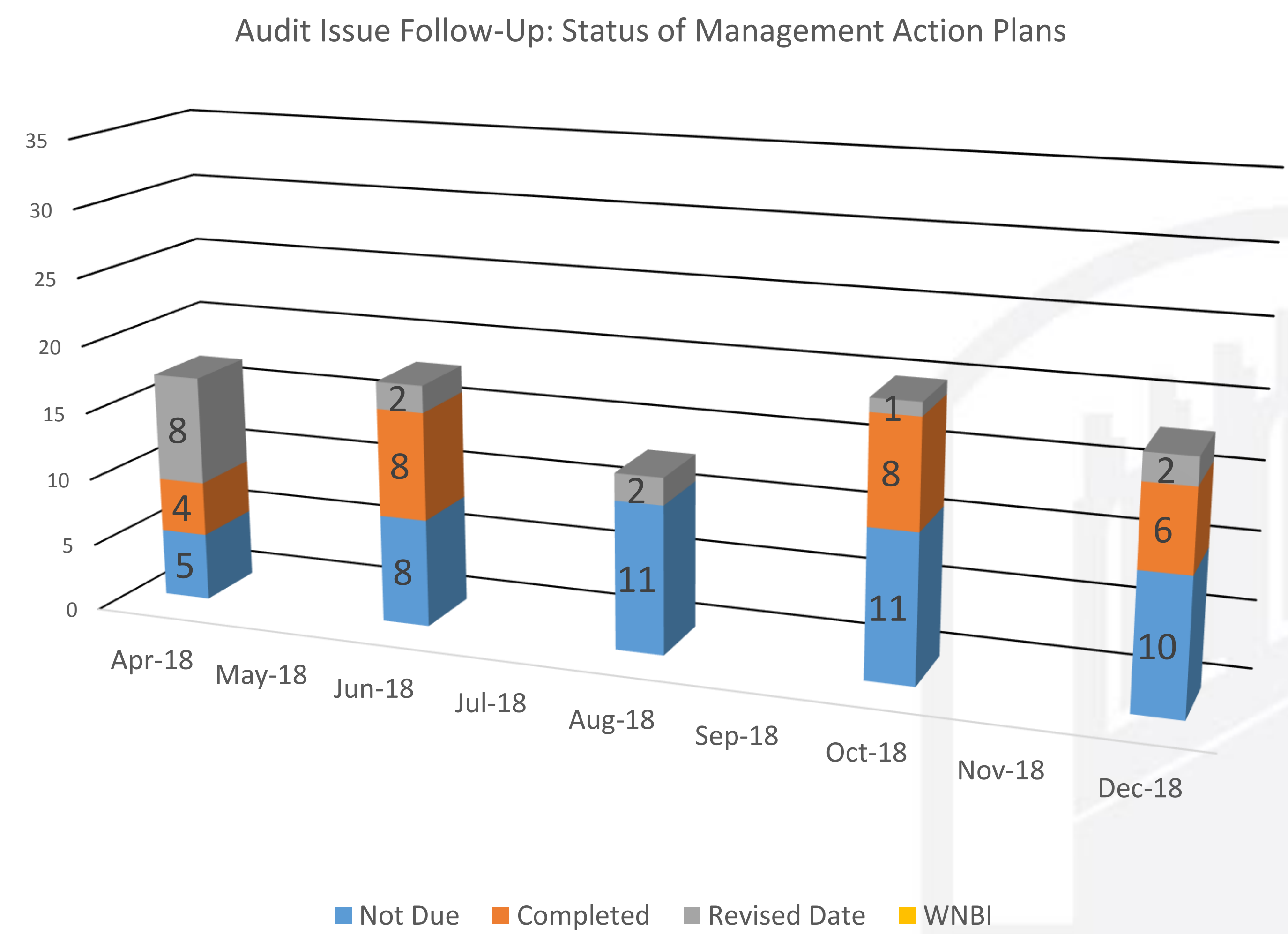
Local Audit Plan	RSM – 2018 Year End Audit Assistance

Objective – At the direction of RSM audit services were performed and delivered to the external audit team. Below documents supporting the audit services reflect the execution of procedures by IAS and required by RSM and Halifax Health.

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

Estimated expense savings to Halifax Hospital was $18K dollars

Audit Follow-Up



See BoardEffect for Audit Follow Up Detail.

Audit Action Plans - Open

Audit	Findings	Actions Management Will Take	Action Plan Owner	Action Plan Due Date	Risk Rank
PCI Review of Locations 4/17/2018	• PCI standards require data retention methods containing Primary Account Number (PAN), cardholder name and expiration date to be unreadable immediately after usage. Further, Sensitive Authentication Data (SAD) cannot be stored or retained after usage. Cardholder data that included SAD (e.g. three or four digit security code) was documented on paper at six (10%) access points and retained when no longer needed at three. Following locations were not aligned with PCI standards: - Hospice Patient Accounting – Document had SAD - EmployMed Port Orange – Document had SAD - HMC Foundation– Document had SAD - Primary Care Daytona - Daytona Area Senior Services - Outpatient and Inpatient Patient Access Specialists	• Cash collection education and procedures will state not to use any form of paper to record cardholder data. Also, Management will explore the use of handhelds for Halifax Inpatient Patient Access Specialists.	Arvin Lewis-SVP & Chief Revenue Officer	2/18/2019 Revised	High
Charge Description Master - Supplies Maintenance Audit 6/15/2018	**ISSUE 2: CDM Maintenance Procedures Were Missing Controls** The CDM Maintenance Policy was not aligned with Halifax Health's standards for policies and procedures. Review disclosed the following: • CDM Maintenance Policy was last reviewed and approved in 2013 or five years ago. The standard is every three years. • A pricing policy for evaluation of charges and mark-ups for alignment with payors and revenue objectives was missing. • Policy incorrectly documented the charge threshold for supply items to be $5 dollars. Management's intention is a $23 dollar threshold. • The timeliness of the process to complete CDM maintenance requests was missing. Guidance is needed to assess the efficiency of the change process.	• The Charge Master Maintenance Policy will be updated on the required Halifax Health procedures template and address operational gaps.	Steve Mach, Patient Financial Services Director	1/31/2019	Medium

Audit Action Plans - Open

Audit	Findings	Actions Management Will Take	Action Plan Owner	Action Plan Due Date*	Risk Rank
Biomedical Engineering Process Assessment 6/15/2018	**ISSUE 1: The IDesk System Does Not Agree With Actual Inventory** As of February 28, 2018 Aramark's IDesk application reported 9,530 active pieces of inventory equipment. IAS reviewed inventory and the following issues were identified: • Ten (20%) items could not be traced from floor to IDesk or vouched from IDesk to floor. • BE equipment additions and depletions recorded by Accounting did not align with IDesk item file. Six (60%) additions were missing and 10 (100%) depletions were listed as active. • Forms to process purchases, transfers and disposals did not have the required information to notify BE. As a result, IDesk inventory was not updated timely which impacts Aramark billing and raises the risk that required service checks and ePHI removal were not performed by BE Techs.	• Management will work with BE Lead to update item files for active and inactive equipment. • BE Lead will develop department rounds that includes working with Team Members to be observant of items that need to be activated or deactivated from the data base. • The Equipment Acceptance, Transfer and Disposal Forms will be updated to include BE with other departments responsible for managing inventory.	Gary Meredith, Director of Operations	12/29/2018	Medium
Biomedical Engineering Process Assessment 6/15/2018	**ISSUE 2: Billing Is Not Aligned With Terms & Business Objectives Not Achieved** • Aramark's December and January base fee billings were not aligned with Amendment A-1. • AP audits have disclosed incorrect pass-through bills for 3rd party equipment services. • Purchase service objectives to sunset 3rd party agreements and service equipment in-house were not obtained at the time of the audit.	• Director will work with Aramark to assess BE responsibilities and objectives in order to determine the correct service arrangement. Findings will be reported to SVP of Operations.	Gary Meredith, Director of Operations	12/29/2018	Medium
Biomedical Engineering Process Assessment 6/15/2018	**ISSUE 3: Work Orders Are Poorly Documented in IDesk** BE Technicians did not clearly document their management and service of equipment. Service end dates and equipment problem and resolution within the Aramark work order were not aligned with actual work performed.	• Technicians will be trained on Aramark's work order policies and procedures. Gary Meredith, Director of Operations12/29/2018Medium	Gary Meredith, Director of Operations	12/29/2018	Medium

Halifax Health

Audit Action Plans - Open

Audit	Findings	Actions Management Will Take	Action Plan Owner	Action Plan Due Date	Risk Rank
Medical Staff Fund & Expense Controls Audit 8/221/8	**ISSUE 1**: Control Procedures Have Not Been Developed There were no documented procedures and thus guidance was missing in key areas, including: • Short-Term Investment • Cash • Credit Card • Governance (MEC)	• Policies and procedures for investments, cash handling and expenses have been developed and approved by the Medical Executive Committee.	Dr. Margaret Crossman, Chief Medical Officer Eve Ann Magoulas, Medical Staff Coordinator	1/23/19 Revised	Medium
Timekeeping Audit 10/19/2018	**ISSUE 1:** Unsupported On-Call & Call Back Pay Recorded in Kronos • Timekeeper used the Supervisor's fixed schedule to improperly enter 376 hours of on-call pay adjustments for that Supervisor. (Orthopedic Supply) • Timekeepers entered 711 hours of call-back pay without approved Payroll Adjustment Forms. This included a Supervisor not eligible for call back. (Orthopedic Supply, Main OR, Cath Lab) • Timekeeper entered 8 hours of on-call pay without approved Payroll Adjustment Forms. (Cath Lab)	• The Ortho Supply Supervisor has been terminated. • Accounting, Payroll and Human Resource Leaders are developing Net Learning programs that include required payroll documentation and monitoring controls for proper payroll processes and attestations from Approvers and Timekeepers. (LT, SF)	Lisa Tyler, Controller Serena Fisher, Manager, Organization & Talent Development	3/29/2019	High
Timekeeping Audit 10/19/2018	**ISSUE 2:** Unsupported Charge Pay Recorded in Kronos • Timekeeper used the Supervisor's prepared and fixed charge pay schedule, to improperly perform pre payroll adjustments for Techs. Review disclosed 20 hours of adjustments. (Orthopedic Supply) • Timekeepers performed additional charge pay adjustments, totaling 159 hours, without approved Payroll Adjustment Forms. (Cath Lab, Main OR, Emergency Services)	• Accounting, Payroll and Human Resource Leaders are developing Net Learning programs that include required payroll documentation and monitoring controls for proper payroll processes and attestations from Approvers and Timekeepers. (LT, SF)	Lisa Tyler, Controller Serena Fisher, Manager, Organization & Talent Development	3/29/2019	High

Audit Action Plans - Open

Audit	Findings	Actions Management Will Take	Action Plan Owner	Action Plan Due Date*	Risk Rank
Timekeeping Audit 10/19/2018	**ISSUE 3**: Timecards Were Not Approved by Department Management • Thirty-one (32%) timecards tested disclosed Management did not review and approve Team Member's hours worked and pre pay adjustments performed by Timekeepers. (Orthopedic Supply, Cath Lab, Main OR, Emergency Services, Phlebotomy Lab) • Inquiry and discussion with Department Managers disclosed Kronos report functionality was not being used. Kronos has multiple stock and ad hoc report functions to efficiently analyze unusual scans or pre pay adjustments prior to approving their Department labor costs. (Orthopedic Supply, Cath Lab, Main OR, Emergency Services, Phlebotomy Lab)	• Accounting and Payroll are now utilizing the Kronos Management Approval report to identify assigned Managers who do not approve Team Member timecards and adjustments. Reviewers who fail to review/approve timecards receive a warning from the Controller. Reviewers who continually fail to review timecards are being identified for performance improvement planning. (LT) • Accounting, Payroll and Human Resource Leaders are developing Net Learning programs that include teaching Managers Kronos report functionality to effectively identify outliers, trends and issues. (LT, SF)	Lisa Tyler, Controller Serena Fisher, Manager, Organization & Talent Development	3/29/2019	**Medium**
Timekeeping Audit 10/19/2018	**ISSUE 4:** Mileage Reimbursement Is Not Supported • Travel documentation of the business purpose (dates, location, purpose) was missing for three Team Member's reimbursement totaling $232. (Orthopedic Supply, Cath Lab)	• Accounting, Payroll and Human Resource Leaders are developing Net Learning programs that include required travel reimbursement documentation and approval for proper payroll processes and attestations from Approvers and Timekeepers. (LT, SF)	Lisa Tyler, Controller Serena Fisher, Manager, Organization & Talent Development	3/29/2019	Medium

Audit Action Plans - Open

Audit	Findings	Actions Management Will Take	Action Plan Owner	Action Plan Due Date*	Risk Rank
Materials Management - Procurement and Receiving Audit 10/16/2018	**ISSUE 2:** Purchase Requisition and Credit Card Policies Were Not Up to Date • Management did not update the Purchase Requisitions and American Express Charge Card Issuance and Usage Policies within 3 years and thus policies are not aligned with current operations and the EMS template. • Credit card usage policy list a terminated employee as the designee signature.	• Purchase Requisitions Policy is aligned with EMS policy requirements. (AC) • The American Express Charge Card policy will be updated to reflect the current designee signatory and formatted on the EMS template. (EP)	Anthony Carillo, SCS Purchasing Manager Eric Peburn, Executive Vice President and Chief Financial Officer	2/28/2019	Medium
Facility Key Control Operations Review 10/17/2018	• The number of cabinet keys issued and to whom for the purposes of properly safeguarding Pharmacies' Schedule 2 overflow could not be determined.	• For the purposes of recording the number of keys assigned to a Team Member, new cabinet keys for safeguarding Schedule 2 overflows will be issued and processed through Security Department's key control application.	Dominick Damiani, Pharmacy Director	12/24/2018	Medium

HALIFAX HEALTH

Recommended Committee Action

Internal Audit recommends the following for Committee's approval:

- Summary of Audit Reports
- Audit Follow-up Summary Report

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HALIFAX HEALTH

2018 Summary of Audit Results

January 9, 2019

RSM

January 9, 2019

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

We are pleased to submit the enclosed update with regard to our 2018 audits for Halifax Health (Halifax). At your August meeting, we presented our 2018 Audit Plan and since the meeting, we have concluded our planning, interim and final fieldwork audit procedures. For this presentation, we have used this document to provide an overview of the status of our audits. If you have any questions, please feel free to contact us. We look forward to issuing our final audit opinions and our required communications and other related reports prior to January 18, 2019.

Sincerely,

RSM US LLP

Jon P. Hillmann

Jon Hillmann, Partner
563 888 4029

Brandon Slauter

Brandon Slauter, Senior Manager
407 581 3572

RSM

Table of Contents

RSM

Summary of Status as of January 9

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

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Summary of Status as of January 9 - Continued

- There were three post-closing adjustments during the course of the audit that impacted the change in Net Position
- We received full cooperation from management in conducting our audits and would like to thank the management team and internal audit personnel for their full support throughout the process
- We have identified certain internal control and business observations as part of the audit
- We have performed our initial reviews of the financial statements and will work with management to complete and issue the final versions in the coming week
- Concurring partner review is currently in process
- We anticipate issuing unmodified opinions on the financial statements
- We performed an attestation engagement over the Schedule of Uses of Property Taxes, which was issued December 13.

Required Communications

- Our responsibilities in relation to the financial statement audit under generally accepted auditing standards
- Fraud, illegal acts and violations that result in a material misstatement – None identified
- Circumstances or events that create considerable doubt about the entity's ability to continue as a going concern – None identified
- Consultations with other accountants by management – None, other than James Moore & Co. who audited the Pension Plan

RSM

Required Communications - Continued

- Significant estimates:
  - Patient accounts receivable and revenue allowances
  - Third-party settlements
  - Self-insurance reserves
  - Interest-rate swap valuation
  - Net pension liability
  - Other postemployment benefit obligations
  - Contingent liabilities
- Representations requested of management

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Required Communications - Continued

- Disagreements with management - None
- Significant difficulties encountered in performing the audit - None
- Substantial matters discussed with management and unusual and/or infrequent transactions – We discussed with management the new disclosure requirements of other postemployment benefit obligations under GASB Statement No. 75 which was adopted during fiscal year 2018.
- Audit adjustments – There were three audit adjustments identified:
  - Increase accrued interest income – The adjustment increased interest income in 2018 by approximately $317,000.
  - Remove allowance on intercompany receivable – The adjustment increased revenue by $1.5 million.
  - Record deferred outflow related to other postemployment benefits – the adjustment reduced salaries and benefits by approximately $1.3 million.

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Required Communications - Continued

- Uncorrected misstatements – There were three uncorrected misstatements identified:
  - Timely billing of charges related to fiscal year 2018 - The misstatement would increase net income by approximately $50,000 after reversal of 2017 late charges posted in 2018.
  - Record Construction in Process through 9/30/18 – The misstatement would increase assets and liabilities by approximately $2.6 million as of 9/30/18.
  - Recording of Other Postemployment Benefits – The misstatement would have reduced expenses by approximately $200,000 in 2018.

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Risk Areas

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

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Risk Areas - Continued

- Self-insurance liabilities
- Commitments and contingencies:
  - Legal claims and reserves
- Internal control documentation and testing
- Information system general computer controls understanding
- Financial statement close process, including disclosures
- Consideration of Fraud in a Financial Statement Audit

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Use of Internal Audit

- Internal auditors are employees and thus not completely independent:
  - Re-performed testing performed by internal audit

- Insights provided by internal audit:
  - We reviewed reports prepared by internal audit during current year
  - Internal audit findings were considered in the development of our audit plan

- Assistance provided by internal audit:
  - Patient accounts receivable and revenue existence testing
  - Payroll test of controls, attribute testing & walkthrough procedures

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Internal Control Deficiencies and Other Recommendations

- Financial Statement Close Process
  - As a result of our audit, we identified three adjusting journal entries totaling approximately $3.1 million and three passed adjusting journal entries totaling approximately $2.9 million.

Pending Accounting Standards

- Pending Accounting Standards to be Adopted in Future Periods:

  - GASB Statement No. 87:

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

  - GASB Statement No. 89:

    - Effective for year ending September 30, 2021
    - Requires interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred.

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Next Steps

- Complete final concurring partner reviews of audit documentation (RSM)
- Review and approval of draft financial statements by the Board of Commissioners (Management)
- Final review of all financial statement drafts (RSM & Management)
- Update inquiries of all attorneys (RSM)
- Update inquiries of management regarding potential subsequent events and commitments and/or contingencies (RSM & Management)
- Update inquiries of James Moore & Co. and obtain representations from them (RSM)
- Obtain representations from management (Management)
- Issuance of final audit reports before January 18, 2019

RSM

Contact Information

Name	Title	Engagement Responsibility	Contact Phone	E-mail Addresses
Jon Hillmann	Partner	Engagement Partner	563 888 4029	Jon.Hillmann@rsmus.com
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Brandon Slauter	Senior Manager	Engagement Sr. Manager	407 581 3572	Brandon.Slauter@rsmus.com

RSM

QUESTIONS AND ANSWERS?

RSM US LLP

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Halifax Hospital Medical Center
d/b/a Halifax Health

Financial Report
September 30, 2018

Contents

Independent Auditor's Report

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

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

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2018, as presented on pages 16–17, which represent 100% of the total assets and additions of the aggregate remaining fund information. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters
Required Supplementary Information

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

Other Supplementary Information

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

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.

Orlando, Florida
[opinion date]

Independent Auditor's Report

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

Report on the Financial Statements

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

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Auditor's Responsibility

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

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

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

Opinions

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

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

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

Other Supplementary Information

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

Orlando, Florida
[opinion date]

INTRODUCTION

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

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

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

Licensed Beds by Location

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

NET POSITION AND CHANGES IN NET POSITION

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

Condensed Statements of Net Position
(In thousands)

	2018	2017
Current assets	**$ 487,236**	$ 425,287
Assets whose use is limited, noncurrent	**51,108**	51,034
Capital assets, net	**379,971**	356,986
Other noncurrent assets and deferred outflows	**70,902**	88,965
Total assets and deferred outflows	**$ 989,217**	$ 922,272
Current liabilities	**$ 102,732**	$ 95,114
Long-term debt and premium on long-term debt, net	**438,237**	359,427
Noncurrent liabilities and deferred inflows	**135,837**	172,519
Total liabilities and deferred inflows	**676,806**	609,547
Net investment in capital assets	**71,661**	25,778
Restricted net position	**5,671**	5,856
Unrestricted net position	**235,079**	281,091
Total net position	**312,411**	312,725
Total liabilities, deferred inflows and net position	**$ 989,217**	$ 922,272

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

Condensed Statements of Revenues and Expenses
(In thousands)

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

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

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

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

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

The decrease in noncurrent liabilities and deferred inflows of Halifax Health of $36.7 million from fiscal year 2017 is primarily due to the decrease in the net pension liability of $19.7 million.

The net position of Halifax Health at September 30, 2018, was $312.4 million, a decrease of $.3 million from September 30, 2017. The decrease is the result of the adoption of GASB Statement No. 75 that required the Medical Center to record a $15.5 million liability for other postemployment benefits at October 1, 2017 and the revenue generated from patient care and other operations of $549.6 million offset by operating expenses of $524.3 million and nonoperating expenses of $8.1 million.

Operating Revenues

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

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

Halifax Health Utilization Statistics

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

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

Operating Expenses

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

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

Nonoperating Revenues, Expenses, Gains and Losses

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

KEY FINANCIAL INDICATORS

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

Key Financial Indicators

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

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

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

COMMUNITY BENEFIT

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

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

SCHEDULE OF USES OF PROPERTY TAXES

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

Halifax Hospital Medical Center
d/b/a Halifax Health

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

Assets and Deferred Outflows	
Current Assets:	
Cash and cash equivalents	$ 48,771
Investments	336,503
Current assets whose use is limited—Trustee-held self-insurance funds	500
Accounts receivable, patients, net of estimated uncollectibles of $195,327	72,195
Inventories	11,798
Other current assets	17,469
Total current assets	487,236
Noncurrent Assets Whose Use is Limited:	
Board-designated, funded depreciation	42,770
Trustee held funds	17
Restricted by donor	5,671
Board-designated, other	2,650
Depreciable Capital Assets, Net	287,325
Nondepreciable Capital Assets	92,646
Other Assets	8,698
Total assets	927,013
Deferred Outflows:	
Interest rate swap	21,010
Pension, contribution after measurement	19,876
Pension, other	2,446
Deferred outflows related to other postemployment benefits	2,058
Loss on refunding of debt	15,540
Goodwill, net	1,274
Total deferred outflows	62,204
Total assets and deferred outflows	$ 989,217

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

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

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

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

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

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

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

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

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	$ 508,992
Payments to employees	(291,528)
Payments to suppliers	(194,530)
Ad valorem taxes	6,050
Other receipts	41,036
Other payments	(44,163)
Net cash provided by operating activities	25,857
Cash Flows from Noncapital Financing Activities:	
Proceeds from donations received	679
Other nonoperating expenses	1,290
Net cash provided by noncapital financing activities	1,969
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(42,429)
Principal paid on long-term debt	(6,700)
Proceeds from issuance of bonds	85,000
Payment of bond issue costs	(354)
Payment of interest on long-term debt	(18,879)
Net cash provided by capital and related financing activities	16,638
Cash Flows from Investing Activities:	
Realized investment income	7,887
Purchase of investments and assets whose use is limited	(221,275)
Proceeds from sales and maturities of investments and assets whose use is limited	154,272
Net cash used in investing activities	(59,116)
Net decrease in cash and cash equivalents	(14,652)
Cash and Cash Equivalents:	
Beginning of year	63,423
End of year	$ 48,771
Supplemental schedule of noncash capital and related financing activities:	
Acquisition of capital assets included in accounts payable and accrued liabilities	$ 6,800

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

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

Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	$	25,317
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization expense		26,157
Unrealized losses on investments considered operating activity		(1,310)
Provision for bad debts		86,967
Changes in assets and liabilities:		
Accounts receivable, patients		(96,704)
Inventories and other current assets		1,110
Other assets		8,890
Accounts payable and accrued liabilities		4,563
Other liabilities		(29,133)
Net cash provided by operating activities	$	25,857
Noncash Investing Activities, unrealized gains on investments and assets whose use is limited	$	(83)

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

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

Assets:		
Investments, at fair value:		
Money market funds	$	143
US Treasury Notes and Bonds		110,779
Mutual Funds - at fair value		168,517
Accrued income		659
Net position restricted for pension benefits	$	280,098

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

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

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

See Notes to Financial Statements.

Note 1. Description of the Organization

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

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

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

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

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

Note 1. Description of the Organization (Continued)

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

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

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

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

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

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

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

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

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

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

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, 2018
(In thousands)

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

Note 1. Description of the Organization (Continued)

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

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

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

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

		Blended Component Units											
Net cash provided by (used in):	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS	Total Blended Component Units	Intercompany Eliminations	Halifax Health
Operating Activities	$ 272,725	$ (27)	$ (226,271)	$ (25,988)	$ (1,070)	$ 1,327	$ 1,717	$ 168	$ 1,526	$ 1,750	$ 5,161	$ -	$ 25,857
Noncapital Financing Activities	(249,052)	(26,993)	226,271	25,988	1,070	(2,030)	-	(168)	-	26,883	26,715	-	1,969
Capital and Related Financing Activities	42,266	(895)	-	-	-	(2)	2,724	-	-	(27,455)	(24,731)	-	16,638
Investing Activities	(84,492)	26,660	-	-	-	-	(139)	-	(1,145)	-	(1,284)	-	(59,116)
Net increase (decrease) in cash and cash equivalents	(18,553)	(1,255)	-	-	-	(705)	4,302	-	381	1,178	5,861	-	(14,652)
Cash and Cash Equivalents:													
Beginning of year	52,718	1,964	-	-	-	7,430	113	-	1,198	-	1,311	-	63,423
End of year	$ 34,165	$ 709	$ -	$ -	$ -	$ 6,725	$ 4,415	$ -	$ 1,579	$ 1,178	$ 7,172	$ -	$ 48,771

Note 1. Description of the Organization (Continued)

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

Note 2. Significant Accounting Policies

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

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

Cash and Cash Equivalents: All unrestricted highly liquid investments with maturities of three months or less when purchased are considered cash equivalents, excluding cash and cash equivalents included in assets whose use is limited. 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).

Note 2. Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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 known claims and claims that have been incurred but not reported. The noncurrent portion of estimated professional and general liability losses and workers' compensation claims have been discounted using a 4% interest rate for 2018. Estimated losses for employees' health claims are not discounted as all amounts are considered current liabilities. See Note 6 for more information on self-insurance liabilities.

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

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

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

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

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

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

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.

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 $6.0 million are included in operating revenues in the accompanying statement of revenues, expenses, and changes in net position. Certain expenses directly attributable to the Medical Center's status as a taxing authority are classified as ad valorem tax-related expenses. These expenses, when added to the charity care and other uncompensated care provided to qualifying patients, exceed ad valorem taxes received and are considered by the Board when determining the tax levy.

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

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

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 $8.4 million in amounts due to Medicare and Medicaid relating to estimated future retroactive adjustments is recorded in accounts payable and accrued liabilities.

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

Note 2. Significant Accounting Policies (Continued)

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

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

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

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

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

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

Note 3. Investments and Assets Whose Use is Limited

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 4. Deposits and Investment Risk

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

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

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

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

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

Note 4. Deposits and Investment Risk (Continued)

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

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

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

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

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

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

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

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

Note 5. Capital Assets

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

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

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

Note 6. Self-Insurance and Insurance

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

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

Note 6. Self-Insurance and Insurance (Continued)

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

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

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

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

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

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

Note 7. Long-Term Debt

Long-term debt at September 30, 2018, consists of the following (in thousands):

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

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

On June 1, 2018, the Medical Center and Holdings issued $85 million in revenue bonds to finance the funding of operating reserves for the District providing liquidity and for the payment of operating expenses of the District. Bond issuance costs of approximately $354,000 are included in interest expense in the accompanying statement of revenues, expenses and changes in net position. The variable interest rate is 30 day LIBOR plus 120 basis points.

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

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

Note 7. Long-Term Debt (Continued)

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

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

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

A summary of bond issues follows (in thousands):

Fixed Rate Bonds

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

Variable-Rate Bonds

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

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

Note 7. Long-Term Debt (Continued)

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

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

Note 7. Long-Term Debt (Continued)

Long-Term Notes Payable and Other Indebtedness:

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

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

Note 8. Interest Rate Swap

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

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

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

Note 8. Interest Rate Swap (Continued)

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

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

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

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

Note 9. Pension Plan

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

Note 9. Pension Plan (Continued)

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

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

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

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

Actuarial Methods and Assumptions

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

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

Note 9. Pension Plan (Continued)

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

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

Halifax Hospital Medical Center
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Notes to Financial Statements

Note 9. Pension Plan (Continued)

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

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

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

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

Note 9. Pension Plan (Continued)

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

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

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

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

Note 10. Other Postemployment Benefits

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

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

Note 10. Other Postemployment Benefits (Continued)

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

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

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

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

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

The Retiree Medical Plan is a multi-employer defined benefit plan. The Retiree Medical Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

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

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

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

Note 10. Other Postemployment Benefits (Continued)

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

Actuarial Methods and Assumptions	Retiree HRA Plan	Retiree Medical Plan
Reporting Date	September 30, 2018	September 30, 2018
Measurement Date	October 1, 2017	October 1, 2017
Actuarial Valuation Date	October 1, 2017	October 1, 2017
Discount Rate	3.50%	3.50%
Rate of Compensation Increase	3.00%	3.00%
Inflation Rate	2.25%	2.25%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Straight-Line	Straight-Line
Amortization Period	1.825 Years	1.825 Years
Method Used to Determine Actuarial Value of Assets	N/A	N/A

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

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

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

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

Effect of assumption changes and inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018.

Note 10. Other Postemployment Benefits (Continued)

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

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

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

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

Note 10. Other Postemployment Benefits (Continued)

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

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

Note 11. Commitments and Contingencies

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

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

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

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

Note 12. Concentrations of Credit Risk

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

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

Note 13. Joint Ventures

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

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

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

Required Supplementary Information

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

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability
Year Ended September 30, 2018
(In thousands)

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

Source: BPAS Actuarial and Pension Services.

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

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Year Ended September 30, 2018
(In thousands)

Actuarial Valuation Date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Medical Center Proportionate Share (a-b) * 94.37%	Hospice Proportionate Share (a-b) * 5.63%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll
October 1, 2016	$ 335,391	$ 266,359	$ 69,032	$ 66,223	$ 2,809	$ 33,515	79%	206%
October 1, 2015	328,897	240,144	88,753	83,756	4,997	38,361	73	231
October 1, 2014	322,844	214,911	107,933	101,856	6,077	42,387	67	255
October 1, 2013	317,819	225,016	92,803	87,578	5,225	43,613	71	213
October 1, 2012	311,814	207,198	104,616	98,726	5,890	46,960	66	223

Source: BPAS Actuarial and Pension Services.

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

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions
Year Ended September 30, 2018
(In thousands)

Actuarial Valuation Date	Actuarially Determined Contributions (a)	Contributions Recognized During the year (b)	Difference of Actuarially Determined and Recognized Contributions (a-b)	% Contributions Recognized to Contributions Actuarially Determined (b/a)	Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
October 1, 2016	$ 19,876	$ 21,060	$ (1,184)	106%	$ 38,360	55%
October 1, 2015	21,060	21,236	(176)	101	38,361	55
October 1, 2014	21,236	15,218	6,018	72	42,387	36
October 1, 2013	15,218	20,000	(4,782)	131	43,613	46
October 1, 2012	17,278	12,688	4,590	73	46,960	27

Source: BPAS Actuarial and Pension Services.

Note 1. Key Assumptions

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

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

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

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

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

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information
Schedule of Changes in Total Retiree HRA Plan Liability and Related Ratios
(Dollar amounts in thousands)

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

Effect of assumption changes and inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018.

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

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information
Schedule of Changes in Total Retiree Medical Plan Liability and Related Ratios
(Dollar amounts in thousands)

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

Effect of assumption changes and inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018.

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

Other Supplementary Information

Halifax Hospital Medical Center
d/b/a Halifax Health

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

Assets and Deferred Outflows	
Current Assets:	
Cash and cash equivalents	$ 41,599
Investments	227,214
Current assets whose use is limited:	
Trustee-held self-insurance funds	500
Accounts receivable, patients, net of estimated uncollectibles of $194,867	71,183
Inventories	11,698
Other current assets	17,358
Total current assets	369,552
Noncurrent Assets Whose Use is Limited:	
Board-designated funded depreciation	42,770
Trustee-held funds	17
Depreciable Capital Assets, net	255,622
Nondepreciable Capital Assets	55,792
Investment in Affiliates	148,592
Other Assets	32,190
Total assets	904,535
Deferred Outflows:	
Interest rate swap	21,010
Pension, contribution after measurement date	19,067
Pension, other	2,347
Deferred outflows related to other postemployment benefits	1,974
Loss on refunding of debt	15,540
Goodwill, net	1,274
Total deferred outflows	61,212
Total assets and deferred outflows	$ 965,747

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

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

Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$	55,450
Accrued payroll and personal leave time		20,226
Current portion of accrued self-insurance liability		5,013
Current portion of long-term debt		5,520
Other current liabilities		5,721
Total current liabilities		91,930
Noncurrent Liabilities:		
Long-term debt, less current portion		438,237
Net pension liability		66,222
Other postemployment benefits liability		19,784
Accrued self-insurance liability, less current portion		7,958
Other liabilities		12,095
Long-term value of interest rate swap		21,010
Total liabilities		657,236
Deferred Inflows Related to Pension		1,898
Deferred Inflows Related to Other Post Employment Benefits		1,162
Total liabilities and deferred inflows		660,296
Net Position:		
Net investment in capital assets		3,104
Unrestricted		302,347
Total net position		305,451
Total liabilities, deferred inflows and net position	$	965,747

Halifax Hospital Medical Center
d/b/a Halifax Health

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

Operating Revenues:	
Net patient service revenue, before provision for bad debts	$ 559,600
Provision for bad debts	(86,263)
Net patient service revenue	473,337
Ad valorem taxes	6,048
Other revenue	20,620
Total operating revenues	500,005
Operating Expenses:	
Salaries and benefits	244,419
Supplies	100,030
Purchased services	71,684
Depreciation and amortization	24,588
Ad valorem tax-related expenses	6,570
Leases and rentals	7,625
Other	26,054
Total operating expenses	480,970
Income from operations	19,035
Nonoperating Revenues (Expenses):	
Interest expense	(17,274)
Bond issue cost	(354)
Investment income—net	2,914
Donation revenue	117
Nonoperating gains (losses)—net	1,290
Income from affiliates	11,417
Total nonoperating expenses	(1,890)
Increase in net position	17,145
Net Position:	
Beginning net position, as restated	288,306
End of year	$ 305,451

Note 1. Summary of Significant Accounting Policies

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

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

Halifax Hospice, Inc.

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

Financial Report
September 30, 2018

Contents

Independent Auditor's Report

To the Board of Directors
Halifax Hospice, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice"), a blended component unit of Halifax Hospital Medical Center, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Hospice's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hospice as of September 30, 2018, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As explained in Note 5 to the financial statements, Hospice adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which is applied retroactively by restating beginning net position for the other postemployment benefits liability. Our opinion is not modified with respect to this matter.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on pages 25–30 be presented to supplement the 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 the 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Orlando, Florida
[opinion date]

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

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

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	4,415
Investments		71,267
Accounts receivable, patients, net of estimated uncollectibles of $460		1,006
Inventories		100
Other current assets		81
Total current assets		76,869
Assets whose use is limited, board-designated		2,650
Depreciable capital assets, net		16,058
Nondepreciable capital assets		1,984
Other assets		3,502
Total assets		101,063
Deferred outflows related to pension		809
Deferred outflows related to other postemployment benefits		82
Pension other		99
Total assets and deferred outflows	$	102,053
Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$	954
Accrued payroll and personal leave time		937
Total current liabilities		1,891
Noncurrent Liabilities:		
Net pension liability		2,809
Other postemployment benefits liability		838
Total liabilities		5,538
Deferred inflows related to pension		81
Deferred inflows related to other post employment benefits		49
Total liabilities and deferred inflows		5,668
Net Position:		
Net investment in capital assets		18,042
Unrestricted		78,343
Total net position		96,385
Total liabilities, deferred inflows and net position	$	102,053

See Notes to Financial Statements.

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

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

Operating Revenues:	
Net patient service revenue, before provision for bad debt	$ 43,396
Provision for bad debt	(704)
Net patient service revenue	42,692
Other revenue	2,088
Total operating revenues	44,780
Operating Expenses:	
Salaries and benefits	22,879
Supplies	2,363
Purchased services	13,474
Depreciation	767
Leases and rentals	2,064
Other	2,095
Total operating expenses	43,642
Income from operations	1,138
Nonoperating Revenues:	
Investment income	4,889
Contribution revenue	562
Total nonoperating revenues	5,451
Increase in net position	6,589
Net Position:	
Beginning net position, as restated (Note 5)	89,796
End of year	$ 96,385

See Notes to Financial Statements.

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

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

Cash Flows from Operating Activities:		
Receipts from third-party payors and patients	$	44,409
Payments to employees		(25,751)
Payments to suppliers		(15,606)
Other receipts		2,827
Other payments		(4,162)
Net cash provided by operating activities		1,717
Cash Flows from Noncapital Financing Activities:		
Proceeds from contributions received		562
Transfer from affiliate		2,162
Net cash provided by noncapital financing activities		2,724
Cash Flows Used in Capital and Related Financing Activities:		
Acquisition of capital assets		(139)
Cash Flows from Investing Activities:		
Investment income		1,511
Purchases of investments and assets whose use is limited		(34,399)
Proceeds from sales and maturities of investments and assets whose use is limited		32,888
Net cash provided by investing activities		-
Net increase in cash and cash equivalents		4,302
Cash and Cash Equivalents		
Beginning of year		113
End of year	$	4,415
Reconciliation of Income from Operations to Net Cash provided by Operating Activities:		
Income from operations	$	1,138
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation		767
Provision for bad debts		704
Changes in assets and liabilities:		
Accounts receivable, patients		1,015
Inventories and other current assets		2
Other assets		237
Accounts payable and accrued liabilities		428
Other liabilities		(2,574)
Net cash provided by operating activities	$	1,717
Noncash Investing, Capital and Related Financing Activities:		
Unrealized gains on investments and assets whose use is limited	$	3,378

See Notes to Financial Statements.

Note 1. Description of Business and Significant Accounting Policies

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

A summary of Hospice's significant accounting policies follows:

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

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

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

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

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

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

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

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

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

The restricted component of net position would consist of restricted assets; assets that have constraints placed on them externally by creditors, grantors, contributors, or laws or regulations of other governments; or laws through constitutional provisions or enabling legislation, reduced by liabilities or deferred inflows related to those restricted assets. There was no restricted net position as of September 30, 2018.

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

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

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

Net Patient Service Revenue and Patient Accounts Receivable: Net patient service revenue and patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered, and includes an estimate for retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 94% of Hospice's net patient service revenue for the year ended September 30, 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

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

The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results are used to make modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts after collection efforts have been followed in accordance with Hospice policies.

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

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

Gross patient charges	$	45,359
Charity adjustments		(935)
Contractual adjustments		(1,028)
Net patient service revenue before provision for bad debts		43,396
Provision for bad debts		(704)
Net patient service revenue	$	42,692

<u>Depreciation</u>: Capital assets, excluding land and construction in progress, are depreciated on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 5 to 20 years for land improvements, 10 to 40 years for buildings, and 3 to 15 years for equipment.

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

<u>Contributions</u>: Hospice reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are subject to stipulations that expire with the passage of time. However, to the extent that all or a portion of the donor restrictions are met during the same period as the contributions are received, Hospice records the contributions as unrestricted support. The net balance of these donations is recorded as a restricted component of net position in the statement of net position. At September 30, 2018, there was no such restricted component of net position. Gifts of land, buildings, and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

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

Notes to Financial Statements

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

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

Legally enforceable pledges are recorded as receivables in the year the pledge is made. Unconditional pledges for support of current operations are recorded as unrestricted revenue. There are no material amounts of pledges receivable at September 30, 2018.

Costs incurred for soliciting contributions, for promotional materials, as well as costs of holding fund-raising events, are recorded as a contra revenue, and is netted in the contribution revenue in the accompanying financial statements. Fund-raising expenses were $273,000 for the year ended September 30, 2018.

<u>Pension Plan</u>: The Halifax Pension Plan (the "Plan") is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan that covers certain employees of Hospice. The Plan is accounted for in accordance with GASB Cod. Sec. Pe5, *Pension Plans – Defined Benefit.* Contributions are made based on the minimum recommended contribution as determined by actuarial valuation. The Plan is considered a governmental plan exempt from Employee Retirement Income Security Act requirements based upon rulings received from the Internal Revenue Service. See Note 5 for more information.

<u>Income Taxes</u>: The Internal Revenue Service has recognized Hospice as exempt from income taxes under Internal Revenue Code Section 501(c)(3), and Hospice is classified as a publicly-supported charity described by Internal Revenue Code Section 509(a)(1). Hospice previously obtained an IRS determination letter that it is exempt from filing Form 990 as an affiliate of a government unit. Although Hospice is not required to file Form 990, the organization is still required to file Form 990T in the event it generates unrelated business income. Hospice had no unrelated business income for the year ended September 30, 2018.

<u>New Accounting Pronouncements</u>: On October 1, 2017, Hospice adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This statement requires governments to report a liability in the financial statements for the OPEB they provide and outlines the reporting requirements. This statement required Hospice to record a net OPEB liability on the accompanying statement of net position. The adjustment to the beginning balance of net position of Hospice was approximately $1.1 million (see Note 5).

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

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

Note 2. Assets Whose Use is Limited and Investments

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

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

At September 30, 2018, all of Hospice's assets whose use is limited and investments were classified as Level 1. Mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Assets whose use is limited is comprised primarily of mutual funds with a fair value of approximately $2.7 million at September 30, 2018.

Note 2. Assets Whose Use is Limited and Investments (Continued)

The composition of assets whose use is limited and investments at September 30, 2018, is set forth below (in thousands):

U.S. Government securities		
US Treasury N/B T 1.75%	$	32,571
Mutual funds		
DFA Emerging Markets Value Portfolio		1,433
DFA International Value Portfolio		3,528
DFA Small Cap Value Portfolio		6,425
DFA U.S. Large Cap Value Portfolio		12,991
Vanguard Energy Fund		766
Vanguard Growth Index Fund		6,889
Vanguard Health Care Fund		743
Vanguard Short-Term Investment Grade Fund		1,563
Vanguard Small Cap Growth Index Fund		6,814
Other		194
Total	$	73,917

Hospice invests in a mutual fund that qualifies as a fixed-income security in accordance with its investment policy described in Note 3. At September 30, 2018, Hospice is invested in the following mutual fund:

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

At September 30, 2018, Hospice held debt securities in U.S. Treasury Obligations.

Investment income on assets whose use is limited and investments for the year ended September 30, 2018, was approximately $4.9 million and includes unrealized gains of approximately $3.4 million.

Note 3. Deposits and Investment Risk

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

Investment Risk: Hospice has an established investment policy in order to control and diversify risk by limiting specific security types and/or concentration with individual financial institutions. Specific investment types are limited to a percentage of the total investment portfolio and maximum maturity date. Investment strategies are influenced by relative market yields and the cash needs of Hospice. Excess funds may be invested in, but not limited to:

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

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

Deposit Risk: Deposit risk is the risk that, in the event of the failure of a depository financial institution, Hospice will not be able to recover its deposits. Hospice's deposits are covered by federal depository insurance, collateralized with U.S. Treasury securities and federal agency securities, or guaranteed 100% by the State of Florida and collateralized through the Florida Bureau of Collateralization. At September 30, 2018, Hospice's cash deposits were not exposed to custodial deposit risk.

Credit Risk: The investment policy provides guidelines to investment managers that restrict investments in debt securities to those with an A- rating or better. The policy also has established asset allocation limits to reduce the concentration of credit risk. Guidelines are provided to investment managers and monitored by the investment advisory firm and management for compliance. As of September 30, 2018, Hospice has an investment in debt securities with a single issuer that represents 44% or more of total investments.

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

As of September 30, 2018, all of Hospice's investments and assets whose use is limited had a maturity date within one year or no maturity date.

Note 4. Capital Assets

Capital assets are recorded at cost and presented net of accumulated depreciation. A summary of the activities for the year ended September 30, 2018, is as follows (in thousands):

	Balance at September 30, 2017	Increases/ Transfers	Decreases/ Transfers	Balance at September 30, 2018
Capital Assets — at cost:				
Land	$ 1,954	$ -	$ -	$ 1,954
Land improvements	64	3	-	67
Buildings	22,691	4	-	22,695
Fixed equipment	510	122	-	632
Major moveable equipment	2,248	7	-	2,255
Projects in progress	27	158	155	30
Total capital assets — at cost	27,494	294	155	27,633
Accumulated Depreciation:				
Land improvements	39	5	-	44
Buildings	6,724	646	1	7,369
Fixed equipment	209	50	-	259
Major moveable equipment	1,853	66	-	1,919
Total accumulated depreciation	8,825	767	1	9,591
Capital Assets — net	$ 18,669	$ (473)	$ 154	$ 18,042

Note 5. Pension Plan and Other Postemployment Benefits

Defined Benefit Pension Plan: Certain employees participate in the Halifax Pension Plan, which is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan (the “Plan”) with two participating employers, Halifax Staffing, Inc. (“Staffing”) and Hospice. The Plan is treated as a single employer plan for the purposes of making contributions and paying pension benefits, determining whether there has been any termination of service, and applying the maximum benefit limitation. Hospice’s proportional share of 2018 contributions was $809,000. Hospice’s proportional share of deferred outflows, inflows and net pension liability are recorded in the accompanying statement of net position. Plan provisions are established and may be amended by the Board of Staffing, the Plan’s sponsor. The Plan issues stand-alone financial statements that can be obtained by contacting the Plan’s sponsor or by accessing the Medical Center’s website at www.halifaxhealth.org. The Plan’s financial statements are prepared using the accrual basis of accounting.

The Plan covers all eligible employees who have attained the age of 21 and have more than one year of service. Eligibility for the Plan was closed to all employees whose initial hire date or rehire date was on or after October 1, 2000. Staffing and Hospice 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, 2017, the measurement date, the Plan included 449 active employees, 525 terminated but vested participants, and 1,004 retired participants and beneficiaries.

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

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

The contribution rate is determined on an actuarial basis. Hospice and Medical Center contributed $19.9 million to the Plan in fiscal year 2018 of which $809,000 relates to Hospice's portion of the contribution and is recorded on the statement of net position as a deferred outflow at September 30, 2018. Staffing's proportionate share of the contribution, expense and net pension liability is 95.93% and Hospice's proportionate share is 4.07% for fiscal year 2018. The proportionate share calculation is based on the present value of future salaries for active employees of Staffing and Hospice.

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

Actuarial Methods and Assumptions

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

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

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

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

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

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

The Plan's net pension liability at September 30, 2018 using a discount rate of 6.75% was $69.0 million. Since the last measurement date, September 30, 2016, the Plan updated its assumptions regarding mortality tables to 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, 2017	$ 21,060	$ 9,215	$ 1,547	$ (4,387)	$ (328,897)	$ 240,144	$ (88,753)	$ -
Service cost	-	-	-	-	(3,770)	-	(3,770)	3,770
Interest cost	-	-	-	-	(21,776)	-	(21,776)	21,776
Difference in expected and actual experience	-	(8,732)	3,802	-	(3,802)	8,732	4,930	-
Changes of assumptions	-	-	-	(2,415)	2,415	-	2,415	-
Projected investment income	-	-	-	-	-	16,936	16,936	(16,936)
Benefit payments	-	-	-	-	20,439	(20,439)	-	-
Expenses	-	-	-	-	-	(74)	(74)	74
Contributions recognized in Plan Fiduciary Net Position	(21,060)	-	-	-	-	21,060	21,060	-
Contributions made after measurement date	19,876	-	-	-	-	-	-	-
Amortization of deferred inflows	-	(324)	(3,062)	4,823	-	-	-	(1,437)
Balance at September 30, 2018	$ 19,876	$ 159	$ 2,287	$ (1,979)	$ (335,391)	$ 266,359	$ (69,032)	$ 7,247

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

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

Note 5. 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, 2018, the amount of deferred outflows to be realized in future years, and the amount of deferred inflows to be recognized in future years' pension expense as follows (in thousands):

	Deferred Outflow - Contributions	Deferred Outflow - Investment Gains	Deferred Outflow - Liability Loss	Deferred Inflow - Change in Assumptions	To Be Recognized in Future Pension Expense
Balance at September 30, 2018	$ 809	$ 6	$ 93	$ (81)	$ -
2019	(809)	(105)	(86)	76	115
2020	-	(89)	(7)	5	91
2021	-	117	-	-	(117)
2022	-	71	-	-	(71)
	$ -	$ -	$ -	$ -	$ 18

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

Hospice's cost of the Contribution Plan for the year ended September 30, 2018, was approximately $474,000 and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position.

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

Net position, as previously reported	$ 90,897
Other postemployment benefit liability	(1,101)
Net position, as restated	$ 89,796

Other Postemployment Benefit Plans—Retiree HRA Plan: 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 ("Retiree HRA Plan"). The Retiree HRA Plan 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 Retiree HRA Plan 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 Retiree HRA Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

The actuarial assumptions used in the September 30, 2018 report were based on the results of an actuarial experience study for the period ending October 1, 2017.

Changes in the Total Retiree HRA Plan Liability

	FY 2018
Total Retiree HRA Plan liability, October 1, 2017	$ 823
Changes for the year:	
Service cost	7
Interest	24
Change of benefit terms	(23)
Differences between expected and actual experience	4
Changes of assumptions or other inputs	(79)
Benefit payments	(31)
Net changes	(98)
Balance, September 30, 2018	$ 725

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

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

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

The Retiree Medical Plan is a multi-employer defined benefit plan. The Retiree Medical Plan OPEB does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Note 5. Pension Plan and Other Postemployment Benefits (Continued)

Changes in the Total Retiree Medical Plan Liability

		FY 2018
Total Retiree Medical Plan liability, October 1, 2017	$	278
Changes for the year:		
Service cost		7
Interest		8
Change of benefit terms		(207)
Differences between expected and actual experience		61
Changes of assumptions or other inputs		(21)
Benefit payments		(13)
Net changes		(165)
Balance, September 30, 2018	$	113

Note 6. Related-Party Transactions

The Medical Center provides certain inpatient and outpatient services to Hospice patients. Payments for these services by Hospice to the Medical Center are based upon a per diem rate and percentage of established rates, and approximated $175,000 during the year ended September 30, 2018. Also, the Medical Center pays certain expenses of Hospice, and provides certain services, which are subsequently reimbursed. The Medical Center holds approximately $3.5 million on deposit from Hospice to cover such future expenses. Hospice has reported this amount in other assets. Hospice also leases land from the Medical Center for approximately $52,000 annually.

Note 7. Commitments and Contingencies

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

<u>Leases</u>: Hospice 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:		
2019	$	917
2020		459
2021		289
2022		272
2023		127
2024		55
Total minimum lease payments required	$	2,119

Note 7. Commitments and Contingencies (Continued)

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 8. Concentrations of Credit Risk

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

Medicaid	75%
Other third-party payors	18%
Patients	7%
	100%

Required Supplementary Information

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

Required Supplementary Information
Schedule of Changes in Total Retiree HRA Plan Liability and Related Ratios
(Dollar amounts in thousands)

Total Retiree HRA Plan liability		
Service cost	$	7
Interest		24
Changes of benefit terms		(23)
Differences between expected and actual experience		4
Changes of assumptions or other inputs		(79)
Benefit payments		(31)
Net change in total Retiree HRA Plan liability		(98)
Total Retiree HRA Plan liability—beginning		823
Total Retiree HRA Plan liability—ending	$	725
Covered-employee payroll	$	33,468
Total OPEB liability as a percentage of covered-employee payroll		53.28%

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

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

Required Supplementary Information
Schedule of Changes in Total Retiree Medical Plan OPEB Liability and Related Ratios
(Dollar amounts in thousands)

Total Retiree Medical Plan liability		
Service cost	$	7
Interest		8
Changes of benefit terms		(207)
Differences between expected and actual experience		61
Changes of assumptions or other inputs		(21)
Benefit payments		(13)
Net change in total Retiree Medical Plan liability		(165)
Total Retiree Medical Plan liability—beginning		278
Total Retiree Medical Plan liability—ending	$	113
Covered-employee payroll	$	33,468
Total OPEB liability as a percentage of covered-employee payroll		8.34%

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

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

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability
Year Ended September 30, 2018
(In thousands)

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

Source: BPAS Actuarial and Pension Services.

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

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Year Ended September 30, 2018
(In thousands)

Actuarial Valuation Date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Staffing Proportionate Share (a-b) * 95.93%	Hospice Proportionate Share (a-b) * 4.07%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll (a-b)/(c)
October 1, 2016	$ 335,391	$ 266,359	$ 69,032	$ 66,223	$ 2,809	$ 33,515	79%	206%
October 1, 2015	328,897	240,144	88,753	83,756	4,997	38,361	73	231
October 1, 2014	322,844	214,911	107,933	101,856	6,077	42,387	67	255
October 1, 2013	317,819	225,016	92,803	87,578	5,225	43,613	71	213
October 1, 2012	311,814	207,198	104,616	98,726	5,890	46,960	66	223

Source: BPAS Actuarial and Pension Services

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

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions
Year Ended September 30, 2018
(In thousands)

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

Source: BPAS Actuarial and Pension Services

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

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

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

HALIFAX PENSION PLAN
(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES, AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2018

Halifax Pension Plan

(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

Financial Statements as of and for the Year Ended September 30, 2018, Supplemental Schedules as of September 30, 2018, and Independent Auditors' Reports

HALIFAX PENSION PLAN
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Halifax Hospital Medical Center)

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners, Halifax Pension Plan:

Report on the Financial Statements

We have audited the accompanying financial statements of the Halifax Pension Plan, a component unit of Halifax Hospital Medical Center (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2018, the statement of changes in fiduciary net position for the year ended September 30, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Halifax Pension Plan as of September 30, 2018, and the changes in fiduciary net position 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 the required supplementary schedules, as listed in the table of contents, 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 principally of inquiries of Halifax Pension Plan's management and independent actuary regarding the methods of measurement and presentation of the required supplementary information. 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Plan'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 the Plan's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
December 14, 2018

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

STATEMENT OF FIDUCIARY NET POSITION
AS OF SEPTEMBER 30, 2018
(In thousands)

ASSETS:		
Money market funds	$	143
US Treasury Notes and Bonds		110,779
Mutual funds — at fair value		168,517
Accrued income		659
Total assets		280,098
NET POSITION RESTRICTED FOR PENSION BENEFITS		
(a schedule of funding progress is presented on page 13)	$	280,098

See notes to financial statements.

HALIFAX PENSION PLAN
(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(In thousands)

ADDITIONS:	
Investment results:	
Gain on fair value of investments	$ 9,493
Interest and dividends	5,790
Total investment gain	15,283
Employers' contributions	19,876
Total additions	35,159
DEDUCTIONS:	
Administrative expenses	71
Benefits paid directly to participants	21,349
Total deductions	21,420
NET INCREASE IN PLAN NET POSITION	13,739
NET POSITION RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	266,359
End of year	$ 280,098

See notes to financial statements.

1. DESCRIPTION OF THE PLAN

General — The Halifax Pension Plan (the "Plan") is a multiple-employer, noncontributory defined benefit pension plan that covers certain employees of the two participating employers: Halifax Staffing, Inc. ("Staffing") and Halifax Hospice, Inc. ("Hospice") (the "Plan Sponsors," collectively). Staffing is the Plan Sponsor and Administrator, and both Staffing and Hospice are component units of the Halifax Hospital Medical Center (the "Medical Center") in Daytona Beach, FL. The Plan is treated as a single employer plan for the purpose of financial reporting. Plan provisions are established and may be amended by the Board of Directors of Staffing, the Plan's sponsor. The Board of Directors has seven members who are appointed by the Board of Commissioners of the Medical Center.

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. Staffing assumed the unfunded portion of the past service liability for employees who participated and were not vested in the prior pension benefit programs.

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.

The Medical Center is obligated by contractual agreement to fund contributions on behalf of Staffing. The contribution rate is determined on an actuarial basis. During the year ending September 30, 2018, $19.9 million was contributed to the Plan. The Medical Center's proportionate share of the contribution, expense and net pension liability is 95.93% and Hospice's proportionate share is 4.07% for fiscal year 2018. The proportionate share calculation is based on the present value of future salaries for active employees of each Staffing and Hospice.

Pension Benefits — Employees with five or more years of service (including service under the Florida Retirement System ("FRS") for those persons employed by Staffing and Hospice at their conversion dates) are entitled to annual pension benefits beginning at normal retirement age or completion of 30 benefit years equal to 1.6% of their highest three-year average annual compensation for each year of service, as defined in the Plan document.

1. DESCRIPTION OF THE PLAN (CONTINUED)

The Plan provides for improved benefits for persons retiring at a date later than the normal retirement date. Based on the participant's attained age or benefit years at the actual termination date, the 1.6% shall be replaced as follows:

Age 63 or 31 benefit years	1.63 %
Age 64 or 32 benefit years	1.65 %
Age 65 or later, or 33 or more benefit years	1.68 %

The Plan permits early retirement upon completion of ten years of service with a benefit reduction of 5/12% for each month that the benefit commencement date precedes the normal retirement date. Benefits are reduced by any vested benefit payable from the FRS. Benefits are increased annually by 3% as a cost of living adjustment.

***Disability Benefits* —** Active employees with 10 or more years of service who become permanently and totally disabled receive annual disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled.

***Death Benefits* —** In the event of an employee's death, the survivor portion of the joint and survivor annuity, actuarially reduced to reflect payment prior to the employee's normal retirement date, is payable to the employee's spouse, or other designated financial dependent, in accordance with the Plan document.

***Plan Membership* —** Membership of the Plan consisted of the following at October 1, 2017, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	1,004
Terminated vested participants	525
Active participants	449
Total	1,978

Membership in the Plan is closed to all employees of Staffing and Hospice whose initial hire date or rehire date is on or after October 1, 2000. All participants are vested in the Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting* —** The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and accounted for in accordance with Governmental Accounting Standards Board ("GASB") Codification. Contributions are recognized when due and the Medical Center and Hospice have made formal commitments to provide the contributions. Benefit payments are recognized when due and payable to the Plan participants in accordance with the terms of the Plan.

***Use of Estimates* —** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Policy — The investments of the Plan are governed by investment guidelines adopted by the Board of Directors for the Plan Sponsor. Authorized investments of the Plan include money market accounts, fixed income bonds, equity funds, and common stocks. Assets are allocated based on targets of 40-70% equities and 30-60% fixed income.

Investment Valuation and Income Recognition — Investments are stated at fair value based on quoted market prices as determined by Wells Fargo Bank N.A. Purchases and sales of securities are reflected on a trade-date basis. Changes in the current value of investments and gains and losses on disposal of investments are reported in the statements of changes in Plan net assets as the net appreciation or depreciation in current value of investments. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Risks and Uncertainties — The Plan utilizes various investment securities including U.S. government securities, corporate debt instruments, mutual funds, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Expenses — Administrative expenses of the Plan are paid by the Plan. However, certain administrative expenses such as fees for investment and custodial services, legal, accounting, and actuarial services are paid by the Plan Sponsor or the Medical Center, as provided in the Plan document.

3. DEPOSITS AND INVESTMENT RISK

GASB Codification 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.

Investment Risk — The 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 Plan. The Plan may be invested in, but not limited to:

- Local government investment pool;
- U.S. government securities and repurchase agreements;
- U.S. government agency obligations;
- Domestic Bank Certificates of Deposit provided that any such investments are in Federal Deposit Insurance Corporation ("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

3. DEPOSITS AND INVESTMENT RISK (CONTINUED)

- 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 engaged to manage the investment of all funds and performance of the portfolio is reported to Staffing management quarterly.

Credit Risk — GASB Codification requires the disclosure of the credit quality of investments in debt securities, other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government. The Plan's investment policy provides guidelines for its investment managers which restricts investments to debt securities with an "A" rating or better unless the fixed income securities are held by a registered investment advisor. At September 30, 2018 the Plan's investment in debt securities was limited to one fixed income mutual fund with credit ratings of underlying debt securities ranging from A3 to Baa3 from Moody's Investor Services.

Custodial Credit Risk — The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits. The Plan's deposits are covered by federal depository insurance, collateralized with U.S. Treasury Securities and Federal Agency Securities, or guaranteed 100% by the State of Florida and collateralized through the State of Florida Bureau of Collateralization. At September 30, 2018, the Plan's investments were not exposed to custodial credit risk.

The Plan's investment policies have established asset allocation limits to reduce concentration of credit risk. Guidelines are provided to cash investment managers and monitored by management for compliance. At September 30, 2018, the Plan did not have investments in any one issuer that represents 5% or more of the Plan's fiduciary net position except for US Treasury Notes that comprises 39.6% of the Plan's fiduciary net position.

Interest Rate Risk — Changes in interest rates can adversely affect the fair value of an investment. Staffing manages its exposure to interest rate risk by limiting investment maturities and diversifying its investment portfolios. At September 30, 2018 all of the Plan's investments had maturity dates within 18 months.

4. FUNDING POLICY

The Plan is funded through contributions from the Medical Center and Hospice, as calculated by an actuary. Total contributions for the Plan year ended September 30, 2018 are greater than the minimum recommended contribution based on the October 1, 2017 actuarial valuation.

Although they have not expressed any intention to do so, the Plan Sponsor has the right under the Plan to discontinue their contributions at any time and to terminate the Plan. In the event of a Plan termination, and dependent upon the funded status of the Plan, assets of the Plan may be allocated among participants and beneficiaries on the basis of the present value of accrued benefits. However, the net assets of the Plan may not be available on a pro rata basis to provide participants' benefits. Whether a particular participant's accumulated Plan benefits will be paid depends on both the priority of those benefits and the value of the then existing assets.

5. NET PENSION LIABILITY

The net pension liability of the Plan is the total pension liability offset by the Plan's fiduciary net position. The components of net pension liability at September 30, 2018 for both the Medical Center and Hospice are as follows (in thousands):

5. NET PENSION LIABILITY (CONTINUED)

	Medical Center	Hospice	Total
Total pension liability	$ 328,939	$ 13,956	$ 342,895
Fiduciary net position	(268,698)	(11,400)	(280,098)
Net pension liability	$ 60,241	$ 2,556	$ 62,797

As of September 30, 2018, the fiduciary net position as a percentage of the total pension liability was 82%.

Significant actuarial methods and assumptions of the plan are presented in the following table:

Actuarial Methods and Assumptions

Mortality table	RP-2014 Mortality Table (Blue-Collar), Scale MP-2017
Interest rate	6.75% annually, compounded
Pay increase	3%
Cost of living adjustment	3%
Measurement date	September 30, 2018
Valuation date	October 1, 2017
Experience study dates	October 1, 2011 - September 30, 2014

The discount rate applied in the measurement of the total pension liability is 6.75% and the long-term expected rate of return on Plan investments is 6.75%. The discount rate and rate of return are based on the long-term rate of return on Plan investments expected to finance the payment of benefits into the future. Net pension liability at September 30, 2018 using a discount rate of 5.75% would have been $99.3 million, and using a discount rate of 7.75% would have been $31.6 million.

It is assumed that 40% of participants will elect a one-time lump sum benefit payment upon termination, and 15% of participants will elect a one-time lump sum benefit payment upon retirement. It is also assumed that contributions from the Medical Center and Hospice will continue into the future and that the Plan will eventually be fully funded.

6. INVESTMENTS

The Plan measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Codification. 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.

6. INVESTMENTS (CONTINUED)

At September 30, 2018, all of the Plan's investments were considered Level 1.

The Plan's investments are held by a bank-administered trust fund. At September 30, 2018, the Plan's investments (including investments bought, sold, as well as held during the year) had a gain in fair value as determined by quoted market prices as follows (in thousands):

Money market and mutual funds	$ 9,493
Gain on fair value of investments	$ 9,493

The annual money-weighted rate of return on Plan investments, net of Plan expenses, was 6.64% for the year ended September 30, 2018. This percentage is a measure of investment performance, net of Plan investment expenses, and adjusted for changes in amounts contributed and invested.

7. EXEMPT PARTY-IN-INTEREST

Certain Plan investments are shares of mutual funds of the investment managers, as defined by the Plan, therefore, these transactions qualify as exempt party-in-interest transactions.

8. FEDERAL INCOME TAX STATUS

The Plan is considered a governmental plan exempt from certain Employee Retirement Income Security Act ("ERISA") requirements based upon certain rulings received from the Internal Revenue Service ("IRS"). The Medical Center requested and received during 1998 and 1999 a series of rulings from the IRS with respect to the status of the Medical Center as a political subdivision of the state of Florida and the status of Staffing, Hospice, and other entities as instrumentalities of the Medical Center.

The Plan has received a determination letter from the IRS dated June 16, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

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REQUIRED SUPPLEMENTAL SCHEDULES

HALIFAX PENSION PLAN
(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)
(Dollars in thousands)

Measurement Date	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Beginning Net Pension Liability	$ 71,446	$ 88,753	$ 107,933	$ 92,803	$ 123,869
Beginning Total Pension Liability	$ 337,805	$ 328,897	$ 322,844	$ 317,819	$ 311,815
Service cost	3,553	4,024	4,441	4,282	2,776
Interest cost	22,093	21,522	21,234	20,943	20,547
Method Change	-	-	-	-	-
Benefit payments	(21,349)	(20,439)	(16,818)	(15,355)	(15,078)
Changes of assumptions	(2,103)	-	(4,800)	(6,430)	-
Difference between expected and actual experience	2,896	3,801	1,996	1,585	(2,241)
Ending Total Pension Liability	342,895	337,805	328,897	322,844	317,819
Beginning Fiduciary Net Position	(266,359)	(240,144)	(214,911)	(225,016)	(207,199)
Contributions - employer	(19,876)	(21,060)	(21,236)	(15,217)	(20,000)
Net investment loss (income)	(15,283)	(25,668)	(20,892)	9,852	(12,954)
Benefit payments	21,349	20,439	16,818	15,355	15,078
Administrative expenses	71	74	77	115	59
Ending Fiduciary Net Position	(280,098)	(266,359)	(240,144)	(214,911)	(225,016)
Ending Net Pension Liability	$ 62,797	$ 71,446	$ 88,753	$ 107,933	$ 92,803

Source: BPAS Actuarial & Pension Services
*Ten years of data will be presented as it becomes available.

HALIFAX PENSION PLAN
(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
(Dollars in thousands)

Measurement Date Actuarial Valuation Date	September 30, 2018 October 1, 2017	September 30, 2017 October 1, 2016	September 30, 2016 October 1, 2015	September 30, 2015 October 1, 2014	September 30, 2014 October 1, 2013
Total Pension Liability (a)	$ 342,895	$ 337,805	$ 328,897	$ 322,844	$ 317,819
Plan Fiduciary Net Position (b)	$ 280,098	$ 266,359	$ 240,144	$ 214,911	$ 225,016
Net Pension Liability (a-b)	$ 62,797	$ 71,446	$ 88,753	$ 107,933	$ 92,803
Covered Payroll (c)	$ 33,515	$ 38,361	$ 42,387	$ 43,613	$ 46,960
Fiduciary Net Position as a % of Total Pension Liability (b/a)	82%	79%	73%	67%	71%
Net Pension Liability as a % of Covered Payroll ((a-b)/c))	187%	186%	209%	247%	198%

Source: BPAS Actuarial & Pension Services
*Ten years of data will be presented as it becomes available.

HALIFAX PENSION PLAN
(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS (UNAUDITED)
(Dollars in thousands)

Fiscal Year Ended September 30,	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 19,047	$ 20,449	$ 21,061	$ 15,110	$ 17,278
Contribution recognized by the Plan	19,876	21,060	21,236	15,218	20,000
Annual contribution excess	829	611	175	108	2,722
Medical Center proportional share:					
Actuarially determined contribution	18,272	19,298	19,976	14,332	16,388
Contribution recognized by the Plan	19,067	19,874	20,142	14,434	14,434
Hospice proportional share:					
Actuarially determined contribution	775	1,151	1,085	778	890
Contribution recognized by the Plan	809	1,186	1,094	784	784
Covered payroll	33,515	38,361	42,387	43,613	46,960
Contribution as a % of covered payroll	59%	55%	50%	35%	43%

Source: BPAS Actuarial & Pension Services
*Ten years of data will be presented as it becomes available.

HALIFAX PENSION PLAN

(Administered by Halifax Staffing, Inc., a component unit of Halifax Hospital Medical Center)

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN (UNAUDITED)
(Dollars in thousands)

Asset Valuation Date	Annual Money-Weighted Rate of Return
September 30, 2014	7.17%
September 30, 2015	-4.33%
September 30, 2016	9.31%
September 30, 2017	10.56%
September 30, 2018	6.64%

Source: BPAS Actuarial & Pension Services
*Ten years of data will be presented as it becomes available.

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HALIFAX PENSION PLAN
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NOTES TO REQUIRED SCHEDULES

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 for determination of contributions follows:

Valuation date	October 1, 2017
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 (Blue-Collar), Scale MP-2014

Assumed retirement age

Age	Probability
Prior to 62, with 30 years of service	10%
62	25%
63	20%
64	20%
65	33%
66	50%
67	20%
68	20%
69	20%
70	100%

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.

* * * * * *

OTHER REPORT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners,
Halifax Pension Plan:

We have audited, 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, the basic financial statements of Halifax Pension Plan, a component unit of Halifax Hospital Medical Center (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2018, the statement of changes in fiduciary net position for the year ended September 30, 2018, and the related notes to the financial statements and have issued our report thereon dated December 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida
December 14, 2018

Halifax Hospital Medical Center

YTD Fiscal Year 2019 Operating Performance Update

Presentation to Finance Committee, January 9, 2019

HALIFAX HEALTH

Live your life well.

Executive Summary

- Overview of operating performance
  - Operating income budget variance –
    - Fiscal YTD 2019 -- $2.1 million
      - Revenue shortfall - $1.6 million
      - Operating expenses variance $500k
- Key variance considerations
  - Admissions, outpatient surgical and cardiology patient volumes less than budget
  - Purchased services expense variance ($427k) primarily relates to activities supporting revenue, including inpatient rehab JV, patient throughput/LOS, and patient account realization/collections
  - Supplies expense variance ($74k) primarily relates to outlier drugs costs for single patient - additional reimbursement available
  - Leases and rental expense ($53k) and other expenses ($74k) exceed budget primarily due to a change in the HMS/HHMC lease payment amount and a difference in the estimated PMATF tax paid to AHCA, respectively (neither are considered operational efficiency opportunities)
  - Implementation of computer system (July 1, 2018) is not considered a significant factor
- Margin improvement plans

Live your life well.

HALIFAX HEALTH

Halifax Health Medical Center
Statements of Operations
($ in thousands)

	Actual Two Months Ended November 30, 2018	Static Budget Two Months Ended November 30, 2018	Favorable (Unfavorable) Variance
Operating revenues:			
Net patient service revenue, before provision for bad debts	$106,458	$97,004	$9,454
Provision for bad debts	(26,610)	(15,432)	(11,178)
Net patient service revenue	79,848	81,572	(1,724)
Ad valorem taxes	1,022	1,022	-
Other revenue	2,993	2,868	125
Total operating revenues	83,863	85,462	(1,599)
Operating expenses:			
Salaries and benefits	43,426	43,623	197
Purchased services	11,688	11,261	(427)
Supplies	16,764	16,690	(74)
Depreciation and amortization	4,277	4,230	(47)
Interest	3,239	3,220	(19)
Ad valorem tax related expenses	1,045	1,057	12
Leases and rentals	1,128	1,075	(53)
Other	4,337	4,263	(74)
Total operating expenses	85,904	85,419	(485)
Excess (deficiency) of operating revenues over expenses	**($2,041)**	**$43**	**($2,084)**

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HALIFAX HEALTH

Margin Improvement Plans

- Leadership team established and meeting weekly
- Target of $12 million established
- Areas of focus -
  - Volume - encourage culture of accommodating surgeon/physician requests
  - Charge capture and coding, including obs vs admit
  - Reduce/eliminate ED walk outs, improve ED throughput
  - Patient throughput and length of stay
  - Operational efficiencies to reduce costs
  - Overhead positions in non-clinical and non-direct patient care areas
- Close management of expenses to budget targets

Live your life well.

HALIFAX HEALTH

Update from Previous Recovery Plan

	Area of Opportunity	Update	Why	Recovery Plan
1	Deterioration in payor mix and collectability of patient accounts	Improvement noted, efforts ongoing	Increased activity in self pay and charity. Billing delay due to new version of Meditech	Focus on cash collections and patient account collectability
2	Radiation Oncology	Daytona case volume stabalized	Move of Daytona cases to New Smyrna Beach due to physician vacancy	Recruit replacement, utilize locums in interim
3	ED Outpatient visits	Lower volume continuing	Urgent Care Center growth. Increase in left without being seen	Add additional fast track, market, increased familiarity with new version of Meditech
4	ED Inpatient visits	Lower volume continuing	Overall lower volume, inpatient conversion % has decreased	Add additional fast track, market, increased familiarity with new version of Meditech
5	Cardiac Cath cases	Lower volume continuing, efforts ongoing	2 of 4 labs out of service as equipment was replace July & August	Re-introduce cardiologists to new labs
6	Cardiac EP cases	Volume has become more stable	2 of 4 labs out of service as equipment was replace July & August, sole provider moved cases to FH Deland and FH MMC for access	Re-establish relation with EP physician, recruit additional EP physician
7	Orthopedic cases	Shift of orthopedic volume continuing	Shift of cases by largest group in market	Re-establish connection with group, recruit additional surgeons
8	Neurosurgical cases	Neurosurgical volume stablized	Neurosurgeon unrest with development of neuroscience center and UF partnership	Recruited additional neurosurgeons, open up the referral intake process
9	Open heart cases	Open heart volume improving	Loss of related referrals due to only 2 cath labs open, vacation of 1 surgeon	Cath labs back to full strength

Halifax Health
Summary Financial Narrative
For the two months ended November 30, 2018

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 19	YTD Budget FY 19	YTD Actual vs. Budget	S&P "A"	YTD Actual FY 19 vs. S&P "A"
Total Margin	-2.9%	2.8%	Unfavorable	4.1%	Unfavorable
Operating Margin	-2.5%	1.0%	Unfavorable	1.4%	Unfavorable
EBIDA Margin	5.6%	10.8%	Unfavorable	11.7%	Unfavorable
Operating EBIDA Margin	6.0%	9.2%	Unfavorable	8.0%	Unfavorable
Adjusted Operating EBIDA Margin *	7.4%	8.9%	Unfavorable	N/A	N/A
Days Cash on Hand	271	248	Favorable	241	Favorable
Cash to Debt	89.3%	82.7%	Favorable	221.6%	Unfavorable
Debt to Capitalization	59.0%	57.0%	Unfavorable	26.4%	Unfavorable
OG MADS Coverage	1.67	1.94	Unfavorable	3.80	Unfavorable
OG Debt to Capitalization	58.4%	57.8%	Unfavorable	26.4%	Unfavorable

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

<u>Halifax Health Medical Center</u>

Statistical Summary--

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

Financial Summary --

- Net patient service revenue for the fiscal year-to-date is 2.1% less than budget.
- Total operating expenses for the fiscal year-to-date are 0.6% greater than budget.
- Loss from operations for the fiscal year-to-date of $2.0 million compares unfavorably to budget by $2.0 million.
- Nonoperating gains/losses for the fiscal year-to-date of $2.1 million, primarily consisting of net investment income, compares favorably to the budgeted amount by $948,000.
- The increase in net position for the fiscal year-to-date of $86,000 compares unfavorably to budget by $1.1 million.

<u>Halifax Health Hospice</u>

Statistical Summary –

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

Financial Summary --

- Net patient service revenue for the fiscal year-to-date is 2.1% greater than budget.
- Income from operations for the fiscal year-to-date of $516,000 compares favorably to budget by $264,000.
- Nonoperating gains/losses for the fiscal year-to-date of negative $2.5 million, primarily consisting of net investment losses, compares unfavorably to the budgeted amount by $3.1 million.
- The decrease in net position for the fiscal year-to-date of $2.0 million compares unfavorably to budget by $2.8 million.

<u>Other Component Units</u> - The financial performance is consistent with budgeted expectations.

Halifax Health
Statistical Summary

Month Ended November 30 2017	2018	Budget	Var.		Two Months Ended November 30 2017	2018	Budget	Var.
				Inpatient Activity				
1,575	1,460	1,582	-7.7%	HHMC Adult/Ped Admissions	3,155	3,060	3,191	-4.1%
159	127	176	-27.8%	HHMCPO Adult/Ped Admissions	327	284	356	-20.2%
172	159	185	-14.1%	Adult Psych Admissions	363	319	374	-14.7%
63	71	66	7.6%	Rehabilitative Admissions	127	135	133	1.5%
1,969	**1,817**	**2,009**	**-9.6%**	**Total Adult/Ped Admissions**	**3,972**	**3,798**	**4,054**	**-6.3%**
7,382	8,076	7,293	10.7%	HHMC Adult/Ped Patient Days	15,496	16,157	14,711	9.8%
653	374	619	-39.6%	HHMCPO Adult/Ped Patient Days	1,459	850	1,248	-31.9%
1,061	1,267	1,379	-8.1%	Adult Psych Patient Days	2,567	2,691	2,782	-3.3%
945	1,026	944	8.7%	Rehabilitative Patient Days	1,826	2,059	1,905	8.1%
10,041	**10,743**	**10,235**	**5.0%**	**Total Adult/Ped Patient Days**	**21,348**	**21,757**	**20,646**	**5.4%**
4.7	5.5	4.6	20.0%	HHMC Average Length of Stay	4.9	5.3	4.6	14.5%
4.1	2.9	3.5	-16.3%	HHMCPO Average Length of Stay	4.5	3.0	3.5	-14.6%
4.6	**5.3**	**4.5**	**18.3%**	**HHMC/ HHMCPO Average Length of Stay**	**4.9**	**5.1**	**4.5**	**13.0%**
6.2	8.0	7.5	6.9%	Adult Psych Average Length of Stay	7.1	8.4	7.4	13.4%
15.0	14.5	14.3	1.0%	Rehabilitative Length of Stay	14.4	15.3	14.3	6.5%
5.1	**5.9**	**5.1**	**16.1%**	**Total Average Length of Stay**	**5.4**	**5.7**	**5.1**	**12.5%**
335	**358**	**341**	**5.0%**	**Total Average Daily Census**	**350**	**357**	**338**	**5.4%**
829	1,012	785	28.9%	HHMC Observation Patient Day Equivalents	1,648	1,920	1,541	24.6%
165	241	141	70.9%	HHMCPO Observation Patient Day Equivalents	353	461	291	58.4%
994	**1,253**	**926**	**35.3%**	**Total Observation Patient Day Equivalents**	**2,001**	**2,381**	**1,832**	**30.0%**
33	**42**	**31**	**35.5%**	**Observation Average Daily Census**	**33**	**39**	**30**	**30.0%**
151	127	146	-13.0%	HHMC Newborn Births	284	295	274	7.7%
267	203	255	-20.4%	HHMC Nursery Patient Days	498	530	476	11.3%
455	485	491	-1.2%	HHMC Inpatient Surgeries	945	992	959	3.4%
8	11	8	37.5%	HHMCPO Inpatient Surgeries	25	20	18	11.1%
463	**496**	**499**	**-0.6%**	**Total Inpatient Surgeries**	**970**	**1,012**	**977**	**3.6%**
				Inpatient Surgeries				
168	180			Orthopedics	354	398		
66	90			General Surgery	134	156		
37	39			Vascular Surgery	82	81		
41	44			Neurosurgery	73	92		
27	31			Cardiovascular/Thoracic Surg	62	53		
124	112			All Other	265	232		
463	**496**	**499**	**-0.6%**	**Total Inpatient Surgeries**	**970**	**1,012**	**977**	**3.6%**

Halifax Health
Statistical Summary

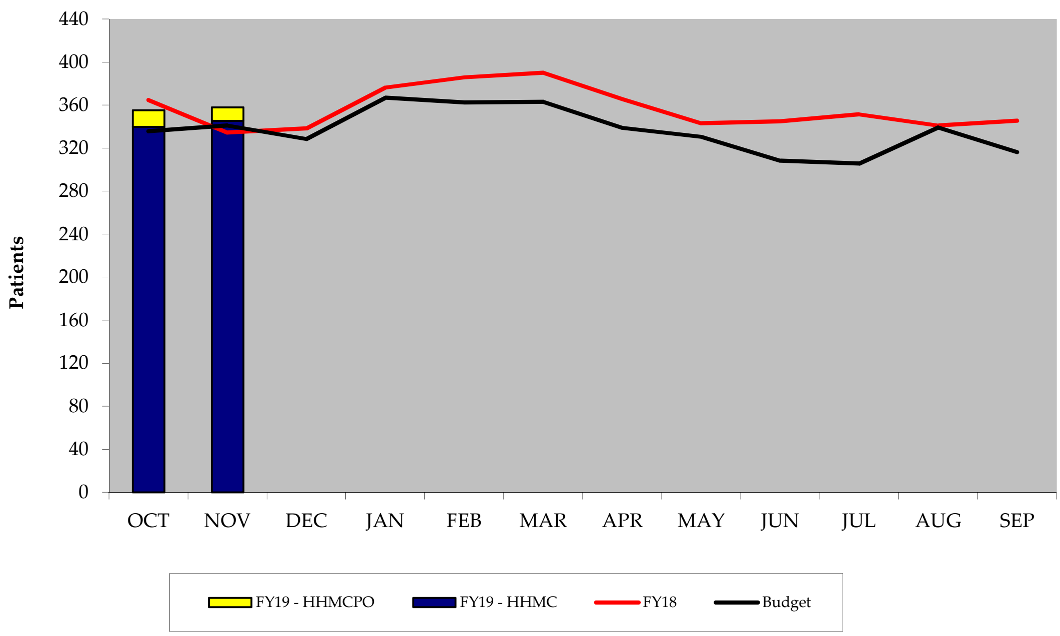
Month Ended November 30					Two Months Ended November 30			
2017	2018	Budget	Var.		2017	2018	Budget	Var.
				Outpatient Activity				
6,735	6,053	6,965	-13.1%	HHMC ED Registrations	13,795	12,409	14,266	-13.0%
2,552	2,349	2,671	-12.1%	HHMCPO ED Registrations	5,170	4,789	5,409	-11.5%
1,281	1,351	1,440	-6.2%	Deltona ED Registrations	2,594	2,710	2,928	-7.4%
10,568	**9,753**	**11,076**	**-11.9%**	**Total ED**	**21,559**	**19,908**	**22,603**	**-11.9%**
265	313	341	-8.2%	HHMC Outpatient Surgeries	585	633	721	-12.2%
0	0	0	0.0%	HPC Outpatient Surgeries	1	0	0	0.0%
124	115	112	2.7%	HHMCPO Outpatient Surgeries	246	246	220	11.8%
354	260	331	-21.5%	Twin Lakes Surgeries	731	560	688	-18.6%
743	**688**	**784**	**-12.2%**	**Total Outpatient Surgeries**	**1,563**	**1,439**	**1,629**	**-11.7%**
				Outpatient Surgeries				
140	146			General Surgery	316	325		
99	75			Orthopedics	242	149		
60	69			Ophtalmology	134	127		
81	46			Gastroenterology	161	99		
50	50			Obstetrics	105	107		
313	302			All Other	605	632		
743	**688**	**784**	**-12.2%**	**Total Outpatient Surgeries**	**1,563**	**1,439**	**1,629**	**-11.7%**
				Cardiology Procedures				
21	22			Open Heart Cases	45	35		
142	140			Cardiac Caths	345	276		
33	23			CRM Devices	57	46		
40	40			EP Studies	88	87		
236	**225**	**233**	**-3.4%**	**Total Cardiology Procedures**	**535**	**444**	**522**	**-14.9%**
				Interventional Radiology Procedures				
10	9	8	12.5%	Vascular	18	19	14	35.7%
155	146	124	17.7%	Nonvascular	293	330	234	41.0%
165	**155**	**132**	**17.4%**	**Total Interventional Radiology Procedures**	**311**	**349**	**248**	**40.7%**
				GI Procedures				
140	131	144	-9.2%	Inpatient	276	261	284	-8.0%
102	109	102	6.6%	Outpatient	188	192	188	2.0%
242	**240**	**247**	**-2.7%**	**Total GI Procedures**	**464**	**453**	**472**	**-4.0%**
				HH Hospice Activity				
				Patient Days				
16,206	15,900	15,300	3.9%	Volusia/ Flagler	32,649	31,881	31,110	2.5%
1,437	1,501	1,650	-9.0%	Orange/ Osceola	2,926	3,209	3,324	-3.5%
17,643	**17,401**	**16,950**	**2.7%**	**HH Hospice Patient Days**	**35,575**	**35,090**	**34,434**	**1.9%**
				Average Daily Census				
540	530	510	3.9%	Volusia/ Flagler	535	523	510	2.5%
48	50	55	-9.0%	Orange/ Osceola	48	53	54	-3.5%
588	**580**	**565**	**2.7%**	**HH Hospice Average Daily Census**	**583**	**575**	**564**	**1.9%**

Halifax Health
Statistical Summary

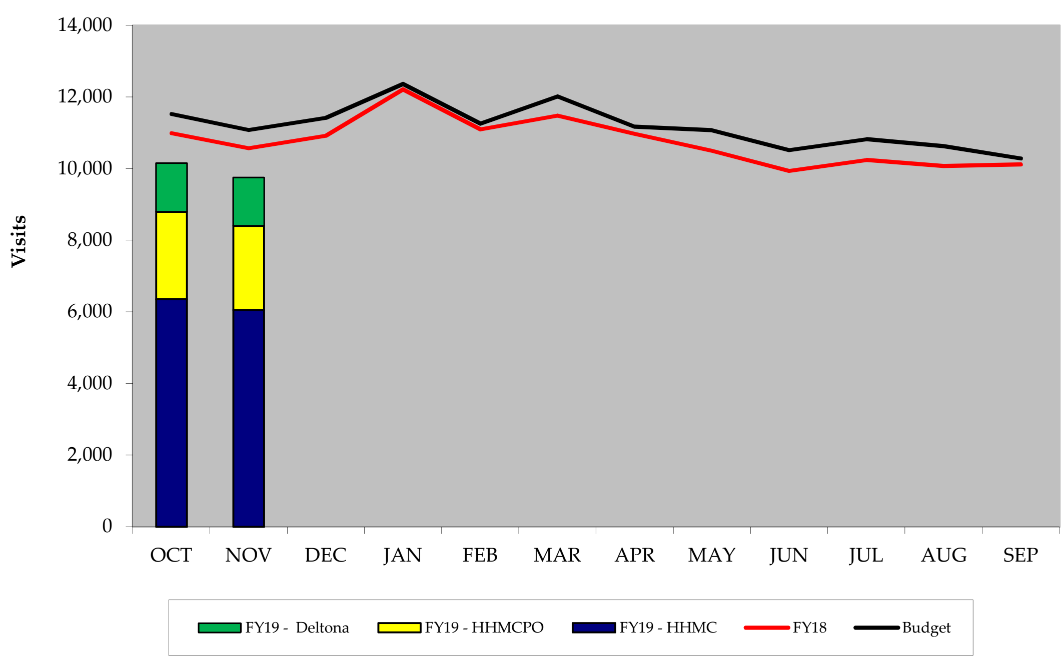
Month Ended November 30					Two Months Ended November 30			
2017	2018	Budget	Var.		2017	2018	Budget	Var.
				Physician Practice Activity				
				Primary Care Visits				
389	459	565	-18.8%	Ormond Beach	750	908	1,144	-20.6%
1,115	1,096	1,052	4.2%	Daytona Beach	2,287	2,343	2,129	10.1%
717	700	861	-18.7%	Port Orange	1,434	1,367	1,743	-21.6%
318	174	472	-63.1%	Deltona	642	339	956	-64.5%
898	741	1,179	-37.2%	New Smyrna	1,788	1,516	2,398	-36.8%
605	639	597	7.0%	Ormond Beach (Women's/OB)	1,248	1,453	1,208	20.3%
326	324	531	-39.0%	Ormond Beach - Urgent Care	610	612	993	-38.4%
4,368	**4,133**	**5,257**	**-21.4%**	**Primary Care Visits**	**8,759**	**8,538**	**10,571**	**-19.2%**
				Pediatric Visits				
549	858	642	33.6%	Ormond Beach-CMC	1,195	1,684	1,306	28.9%
-	245	302	-18.9%	Ormond Beach-Primary Care	-	501	612	-18.1%
341	459	360	27.5%	Palm Coast	602	965	732	31.8%
474	466	470	-0.9%	Port Orange	991	1,051	956	9.9%
1,364	**2,028**	**1,774**	**14.3%**	**Pediatric Visits**	**2,788**	**4,201**	**3,606**	**16.5%**
				Community Clinic Visits				
334	451	442	2.0%	Keech Street	704	941	884	6.4%
-	-	-	0.0%	Adult Community Clinic	92	-	-	0.0%
334	**451**	**442**	**2.0%**	**Community Clinic Visits**	**796**	**941**	**884**	**6.4%**

Halifax Health
Statistical Summary - Graphic

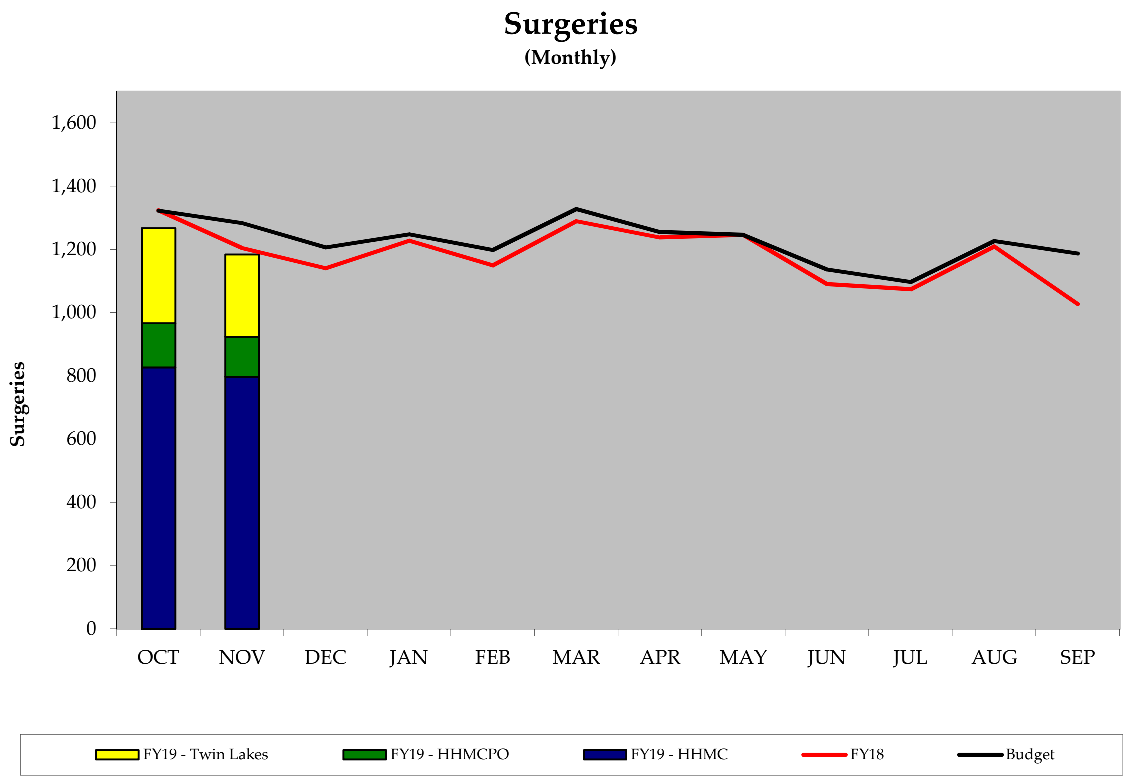
HHMC Average Daily Census
(Monthly)

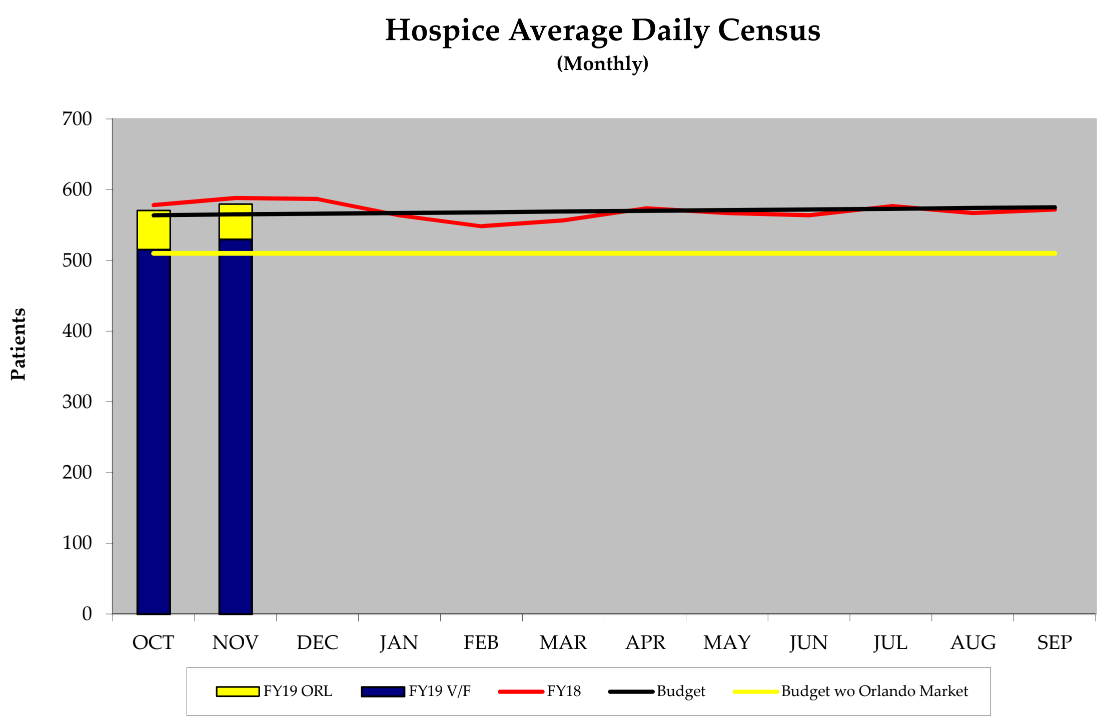


ED Visits
(Monthly)



Halifax Health
Statistical Summary - Graphic





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

	November 30		
	2018	2017	Change
Assets			
Cash and cash equivalents	$28,790	$23,765	$5,025
Investments	321,539	271,378	50,161
Board designated assets	45,634	45,145	489
Accounts receivable	69,737	64,595	5,142
Restricted assets whose use is limited	6,171	6,427	(256)
Other assets	51,299	51,895	(596)
Deferred outflow - swap	23,798	29,745	(5,947)
Deferred outflow - loss on bond refunding	15,389	16,301	(912)
Deferred outflow - pension	22,044	29,758	(7,714)
Property, plant and equipment	381,983	353,627	28,356
Total Assets	$966,384	$892,636	$73,748
Liabilities and Net position			
Accounts payable	$47,186	$32,094	$15,092
Other liabilities	88,984	95,163	(6,179)
Deferred inflow - pension	2,379	3,934	(1,555)
Net pension liability	51,975	67,916	(15,941)
Long-term debt	425,165	346,465	78,700
Premium on LTD, net	18,480	19,150	(670)
Long-term value of swap	23,798	29,745	(5,947)
Net position	308,417	298,169	10,248
Total Liabilities and Net position	$966,384	$892,636	$73,748

Halifax Health
Statement of Cash Flows
($ in thousands)

Month ended November 30, 2018	Month ended November 30, 2017	Variance		Two Months ended November 30, 2018	Two Months ended November 30, 2017	Variance
			Cash flows from operating activities:			
$41,311	$39,802	$1,509	Receipts from third party payors and patients	$90,557	$81,687	$8,870
(32,015)	(28,108)	(3,907)	Payments to employees	(72,803)	(70,025)	(2,778)
(13,475)	(12,427)	(1,048)	Payments to suppliers	(37,893)	(42,475)	4,582
923	144	779	Receipt of ad valorem taxes	949	162	787
(905)	-	(905)	Receipt (payment) of State UPL funds, net	(905)	-	(905)
3,828	2,181	1,647	Other receipts	6,400	2,830	3,570
(3,600)	(3,690)	90	Other payments	(7,278)	(7,376)	98
(3,933)	(2,098)	(1,835)	Net cash provided by (used in) operating activities	(20,973)	(35,197)	14,224
			Cash flows from noncapital financing activities:			
8	6	2	Proceeds from donations received	9	66	(57)
199	-	199	Other nonoperating revenues, expenses and gains/(losses)	407	-	407
207	6	201	Net cash provided by noncapital financing activities	416	66	350
			Cash flows from capital and related financing activities:			
(774)	(1,287)	513	Acquisition of capital assets	(1,362)	(3,349)	1,987
(4,690)	-	(4,690)	Acquisition of capital assets- Deltona	(5,187)	-	(5,187)
-	(201)	201	Payment of long-term debt	-	(401)	401
(2,669)	(327)	(2,342)	Payment of interest on long-term debt	(5,348)	(677)	(4,671)
(8,133)	(1,815)	(6,318)	Net cash provided by (used in) capital financing activities	(11,897)	(4,427)	(7,470)
			Cash flows from investing activities:			
1,558	675	883	Realized investment income (loss)	1,828	850	978
(7,946)	(727)	(7,219)	Purchases of investments/limited use assets	(10,874)	(970)	(9,904)
15,272	15	15,257	Sales/Maturities of investments/limited use assets	21,519	20	21,499
8,884	(37)	8,921	Net cash provided by (used in) investing activities	12,473	(100)	12,573
(2,975)	(3,944)	969	**Net increase (decrease) in cash and cash equivalents**	(19,981)	(39,658)	19,677
31,765	27,709	4,056	**Cash and cash equivalents at beginning of period**	48,771	63,423	(14,652)
$28,790	$23,765	$5,025	**Cash and cash equivalents at end of period**	$28,790	$23,765	$5,025

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

Actual Month Ended November 30, 2018	Actual Month Ended November 30, 2017	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2018	Actual Two Months Ended November 30, 2017	Favorable (Unfavorable) Variance
			Operating revenues:			
$58,220	$53,104	$5,116	Net patient service revenue, before provision for bad debts	$114,030	$106,579	$7,451
(15,004)	(11,488)	(3,516)	Provision for bad debts	(26,706)	(22,695)	(4,011)
43,216	41,616	1,600	Net patient service revenue	87,324	83,884	3,440
511	504	7	Ad valorem taxes	1,022	1,008	14
2,579	2,801	(222)	Other revenue	3,059	5,503	(2,444)
46,306	44,921	1,385	Total operating revenues	91,405	90,395	1,010
			Operating expenses:			
23,102	21,604	(1,498)	Salaries and benefits	47,286	44,863	(2,423)
7,029	6,982	(47)	Purchased services	14,151	13,939	(212)
8,475	8,152	(323)	Supplies	17,178	16,275	(903)
2,267	2,115	(152)	Depreciation and amortization	4,543	4,220	(323)
1,630	1,373	(257)	Interest	3,246	2,769	(477)
523	577	54	Ad valorem tax related expenses	1,045	1,169	124
737	804	67	Leases and rentals	1,476	1,611	135
2,386	2,374	(12)	Other	4,752	4,667	(85)
46,149	43,981	(2,168)	Total operating expenses	93,677	89,513	(4,164)
157	**940**	**(783)**	**Excess (deficiency) of operating revenues over expenses**	**(2,272)**	**882**	**(3,154)**
			Nonoperating revenues, expenses, and gains/(losses):			
1,557	675	882	Realized investment income/(losses)	1,827	850	977
765	539	226	Unrealized investment income/(losses)	(2,645)	1,159	(3,804)
9	6	3	Donation revenue	10	65	(55)
199	-	199	Nonoperating gains/(losses), net	408	-	408
2,530	1,220	1,310	Total nonoperating revenues, expenses, and gains/(losses)	(400)	2,074	(2,474)
$2,687	**$2,160**	**$527**	**Increase (decrease) in net position**	**($2,672)**	**$2,956**	**($5,628)**

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

Actual Month Ended November 30, 2018	Static Budget Month Ended November 30, 2018	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2018	Static Budget Two Months Ended November 30, 2018	Favorable (Unfavorable) Variance
			Operating revenues:			
$58,220	$51,618	$6,602	Net patient service revenue, before provision for bad debts	$114,030	$104,497	$9,533
(15,004)	(7,687)	(7,317)	Provision for bad debts	(26,706)	(15,601)	(11,105)
43,216	43,931	(715)	Net patient service revenue	87,324	88,896	(1,572)
511	511	-	Ad valorem taxes	1,022	1,022	-
2,579	2,199	380	Other revenue	3,059	4,412	(1,353)
46,306	46,641	(335)	Total operating revenues	91,405	94,330	(2,925)
			Operating expenses:			
23,102	23,282	180	Salaries and benefits	47,286	47,883	597
7,029	6,738	(291)	Purchased services	14,151	13,459	(692)
8,475	8,398	(77)	Supplies	17,178	17,079	(99)
2,267	2,244	(23)	Depreciation and amortization	4,543	4,492	(51)
1,630	1,610	(20)	Interest	3,246	3,220	(26)
523	528	5	Ad valorem tax related expenses	1,045	1,057	12
737	712	(25)	Leases and rentals	1,476	1,428	(48)
2,386	2,380	(6)	Other	4,752	4,763	11
46,149	45,892	(257)	Total operating expenses	93,677	93,381	(296)
157	**749**	**(592)**	**Excess (deficiency) of operating revenues over expenses**	**(2,272)**	**949**	**(3,221)**
			Nonoperating revenues, expenses, and gains/(losses):			
1,557	801	756	Realized investment income/(losses)	1,827	1,603	224
765	-	765	Unrealized investment income/(losses)	(2,645)	-	(2,645)
9	59	(50)	Donation revenue	10	118	(108)
199	21	178	Nonoperating gains/(losses), net	408	43	365
2,530	881	1,649	Total nonoperating revenues, expenses, and gains/(losses)	(400)	1,764	(2,164)
$2,687	**$1,630**	**$1,057**	**Increase (decrease) in net position**	**($2,672)**	**$2,713**	**($5,385)**

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

Actual Month Ended November 30, 2018	Static Budget Month Ended November 30, 2018	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2018	Static Budget Two Months Ended November 30, 2018	Favorable (Unfavorable) Variance
			Operating revenues:			
$54,360	$47,930	$6,430	Net patient service revenue, before provision for bad debts	$106,458	$97,004	$9,454
(14,908)	(7,604)	(7,304)	Provision for bad debts	(26,610)	(15,432)	(11,178)
39,452	40,326	(874)	Net patient service revenue	79,848	81,572	(1,724)
511	511	-	Ad valorem taxes	1,022	1,022	-
1,432	1,427	5	Other revenue	2,993	2,868	125
41,395	42,264	(869)	Total operating revenues	83,863	85,462	(1,599)
			Operating expenses:			
21,226	21,227	1	Salaries and benefits	43,426	43,623	197
5,774	5,651	(123)	Purchased services	11,688	11,261	(427)
8,292	8,206	(86)	Supplies	16,764	16,690	(74)
2,134	2,112	(22)	Depreciation and amortization	4,277	4,230	(47)
1,630	1,610	(20)	Interest	3,239	3,220	(19)
523	528	5	Ad valorem tax related expenses	1,045	1,057	12
562	537	(25)	Leases and rentals	1,128	1,075	(53)
2,176	2,131	(45)	Other	4,337	4,263	(74)
42,317	42,002	(315)	Total operating expenses	85,904	85,419	(485)
(922)	**262**	**(1,184)**	**Excess (deficiency) of operating revenues over expenses**	**(2,041)**	**43**	**(2,084)**
			Nonoperating revenues, expenses, and gains/(losses):			
1,271	568	703	Realized investment income/(losses)	1,564	1,136	428
166	-	166	Unrealized investment income/(losses)	155	-	155
199	21	178	Nonoperating gains/(losses), net	408	43	365
1,636	589	1,047	Total nonoperating revenues, expenses, and gains/(losses)	2,127	1,179	948
$714	**$851**	**($137)**	**Increase in net position**	**$86**	**$1,222**	**($1,136)**

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

Actual Month Ended November 30, 2017		Actual Month Ended November 30, 2018		Static Budget Month Ended November 30, 2018			Actual Two Months Ended November 30, 2017		Actual Two Months Ended November 30, 2018		Static Budget Two Months Ended November 30, 2018	
$160,267	100.00%	$167,720	100.00%	$169,484	100.00%	Gross charges	$325,781	100.00%	$337,395	100.00%	$342,845	100.00%
(8,761)	-5.47%	(11,897)	-7.09%	(11,106)	-6.55%	Charity	(18,472)	-5.67%	(19,227)	-5.70%	(22,541)	-6.57%
(101,986)	-63.64%	(101,463)	-60.50%	(110,448)	-65.17%	Contractual adjustments	(207,978)	-63.84%	(211,710)	-62.75%	(223,300)	-65.13%
49,520	30.90%	54,360	32.41%	47,930	28.28%	Gross charges, before provision for bad debts	99,331	30.49%	106,458	31.55%	97,004	28.29%
(11,380)	-7.10%	(14,908)	-8.89%	(7,604)	-4.49%	Provision for bad debts	(22,501)	-6.91%	(26,610)	-7.89%	(15,432)	-4.50%
$38,140	**23.80%**	**$39,452**	**23.52%**	**$40,326**	**23.79%**	**Net patient service revenue**	**$76,830**	**23.58%**	**$79,848**	**23.67%**	**$81,572**	**23.79%**

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

Actual Month Ended November 30, 2018	Static Budget Month Ended November 30,	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2018	Static Budget Two Months Ended November 30, 2018	Favorable (Unfavorable) Variance
			Operating revenues:			
$3,860	$3,688	$172	Net patient service revenue, before provision for bad debts	$7,572	$7,493	$79
(96)	(83)	(13)	Provision for bad debts	(96)	(169)	73
3,764	3,605	159	Net patient service revenue	7,476	7,324	152
181	194	(13)	Other revenue	361	388	(27)
3,945	3,799	146	Total operating revenues	7,837	7,712	125
			Operating expenses:			
1,809	1,988	179	Salaries and benefits	3,718	4,123	405
1,213	1,045	(168)	Purchased services	2,379	2,116	(263)
183	191	8	Supplies	414	388	(26)
64	65	1	Depreciation and amortization	128	129	1
170	170	-	Leases and rentals	338	343	5
168	179	11	Other	344	361	17
3,607	3,638	31	Total operating expenses	7,321	7,460	139
338	**161**	**177**	**Excess of operating revenues over expenses**	**516**	**252**	**264**
			Nonoperating revenues, expenses, and gains/(losses):			
286	233	53	Realized investment income/(losses)	263	467	(204)
599	-	599	Unrealized investment income/(losses)	(2,800)	-	(2,800)
9	59	(50)	Donation revenue	10	118	(108)
894	292	602	Total nonoperating revenues, expenses, and gains/(losses)	(2,527)	585	(3,112)
1,232	**$453**	**$779**	**Increase (decrease) in net position**	**($2,011)**	**$837**	**($2,848)**

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

Actual Month Ended November 30, 2018	Static Budget Month Ended November 30, 2018	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2018	Static Budget Two Months Ended November 30, 2018	Favorable (Unfavorable) Variance
			Operating revenues:			
$0	$0	$0	Net patient service revenue, before provision for bad debts	$0	$0	$0
-	-	-	Provision for bad debts	-	-	-
-	-	-	Net patient service revenue	-	-	-
387	362	25	Other revenue	751	725	26
387	362	25	Total operating revenues	751	725	26
			Operating expenses:			
57	57	-	Salaries and benefits	121	116	(5)
41	38	(3)	Purchased services	83	75	(8)
-	1	1	Supplies	-	1	1
69	67	(2)	Depreciation and amortization	138	133	(5)
-	-	-	Interest	7	-	(7)
5	5	-	Leases and rentals	10	10	-
1	3	2	Other	1	5	4
173	171	(2)	Total operating expenses	360	340	(20)
214	**191**	**23**	**Excess of operating revenues over expenses**	**391**	**385**	**6**
			Nonoperating revenues, expenses, and gains/(losses):			
-	-	-	Realized investment income/(losses)	-	-	-
-	-	-	Unrealized investment income/(losses)	-	-	-
-	-	-	Donation revenue	-	-	-
-	-	-	Nonoperating gains/(losses), net	-	-	-
-	-	-	Total nonoperating revenues, expenses, and gains/(losses)	-	-	-
$214	**$191**	**$23**	**Increase in net position**	**$391**	**$385**	**$6**

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

Actual Month Ended November 30, 2018	Static Budget Month Ended November 30, 2018	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2018	Static Budget Two Months Ended November 30, 2018	Favorable (Unfavorable) Variance
			Operating revenues:			
$0	$0	$0	Net patient service revenue, before provision for bad debts	$0	$0	$0
-	-	-	Provision for bad debts	-	-	-
-	-	-	Net patient service revenue	-	-	-
158	127	31	Realized investment income/(losses)	178	253	(75)
357	-	357	Unrealized investment income/(losses)	(1,475)	-	(1,475)
64	89	(25)	Donation revenue	251	178	73
-	-	-	Other revenue	-	-	-
579	216	363	Total operating revenues	(1,046)	431	(1,477)
			Operating expenses:			
10	10	-	Salaries and benefits	21	21	-
1	4	3	Purchased services	1	7	6
-	-	-	Supplies	-	-	-
-	-	-	Depreciation and amortization	-	-	-
-	-	-	Interest	-	-	-
-	-	-	Leases and rentals	-	-	-
41	67	26	Other	70	134	64
52	81	29	Total operating expenses	92	162	70
$527	**$135**	**$392**	**Increase (decrease) in net position**	**($1,138)**	**$269**	**($1,407)**

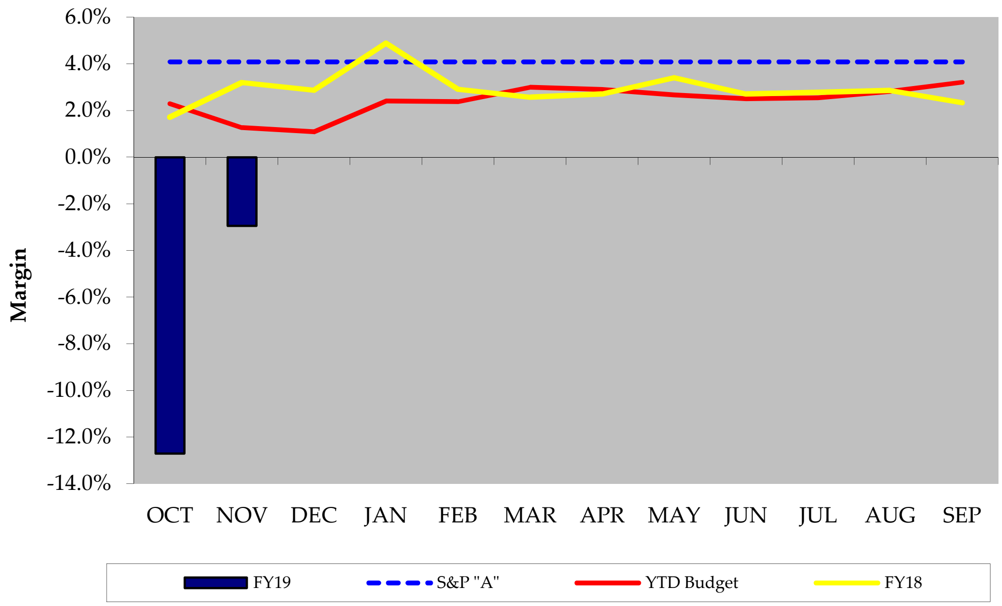
Halifax Health Medical Center (Obligated Group)
Statements of Revenues, Expenses and Changes in Net Position
($ in thousands)

Actual Month Ended November 30, 2018	Static Budget Month Ended November 30, 2018	Favorable (Unfavorable) Variance		Actual Two Months Ended November 30, 2018	Static Budget Two Months Ended November 30, 2018	Favorable (Unfavorable) Variance
			Operating revenues:			
$54,360	$47,930	$6,430	Net patient service revenue, before provision for bad debts	$106,458	$97,004	$9,454
(14,908)	(7,604)	(7,304)	Provision for bad debts	(26,610)	(15,432)	(11,178)
39,452	40,326	(874)	Net patient service revenue	79,848	81,572	(1,724)
511	511	-	Ad valorem taxes	1,022	1,022	-
1,432	1,427	5	Other revenue	2,993	2,868	125
41,395	42,264	(869)	Total operating revenues	83,863	85,462	(1,599)
			Operating expenses:			
21,226	21,227	1	Salaries and benefits	43,426	43,623	197
5,774	5,651	(123)	Purchased services	11,688	11,261	(427)
8,292	8,206	(86)	Supplies	16,764	16,690	(74)
2,134	2,112	(22)	Depreciation and amortization	4,277	4,230	(47)
1,630	1,610	(20)	Interest	3,239	3,220	(19)
523	528	5	Ad valorem tax related expenses	1,045	1,057	12
562	537	(25)	Leases and rentals	1,128	1,075	(53)
2,176	2,131	(45)	Other	4,337	4,263	(74)
42,317	42,002	(315)	Total operating expenses	85,904	85,419	(485)
(922)	**262**	**(1,184)**	**Excess (deficiency) of operating revenues over expenses**	**(2,041)**	**43**	**(2,084)**
			Nonoperating revenues, expenses, and gains/(losses):			
1,271	568	703	Realized investment income/(losses)	1,564	1,136	428
166	-	166	Unrealized investment income/(losses)	155	-	155
-	-	-	Donation revenue	-	-	-
1,973	779	1,194	Income from affiliates	(2,758)	1,491	(4,249)
199	21	178	Nonoperating gains/(losses), net	408	43	365
3,609	1,368	2,241	Total nonoperating revenues, expenses, and gains/(losses)	(631)	2,670	(3,301)
$2,687	**$1,630**	**$1,057**	**Increase (decrease) in net position**	**($2,672)**	**$2,713**	**($5,385)**

Halifax Health
Financial Summary - Graphic

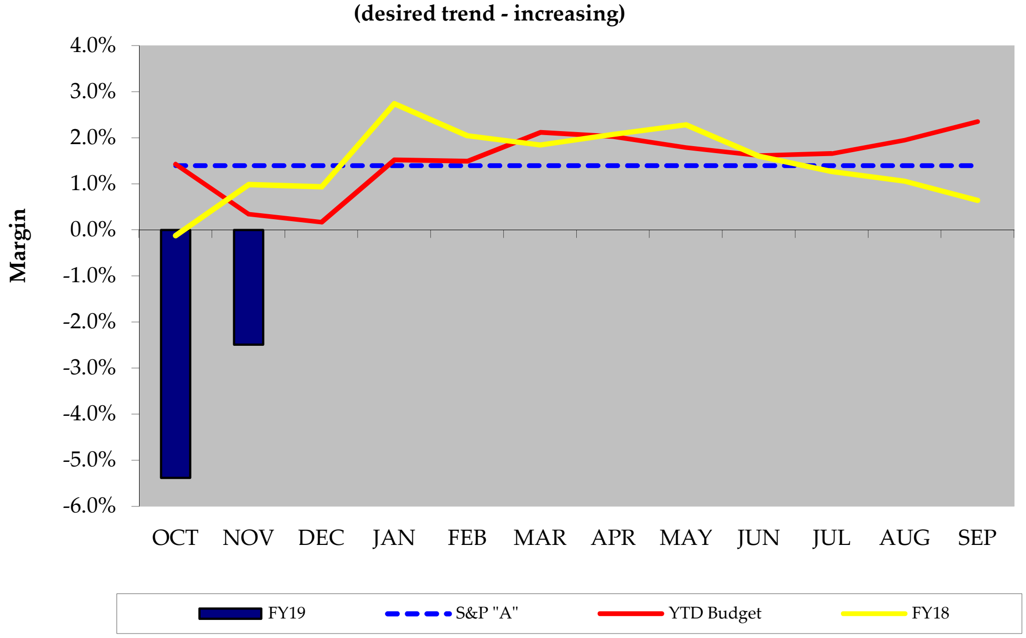
HH Total Margin

(Cumulative YTD Basis)
(desired trend - increasing)



HH Operating Margin

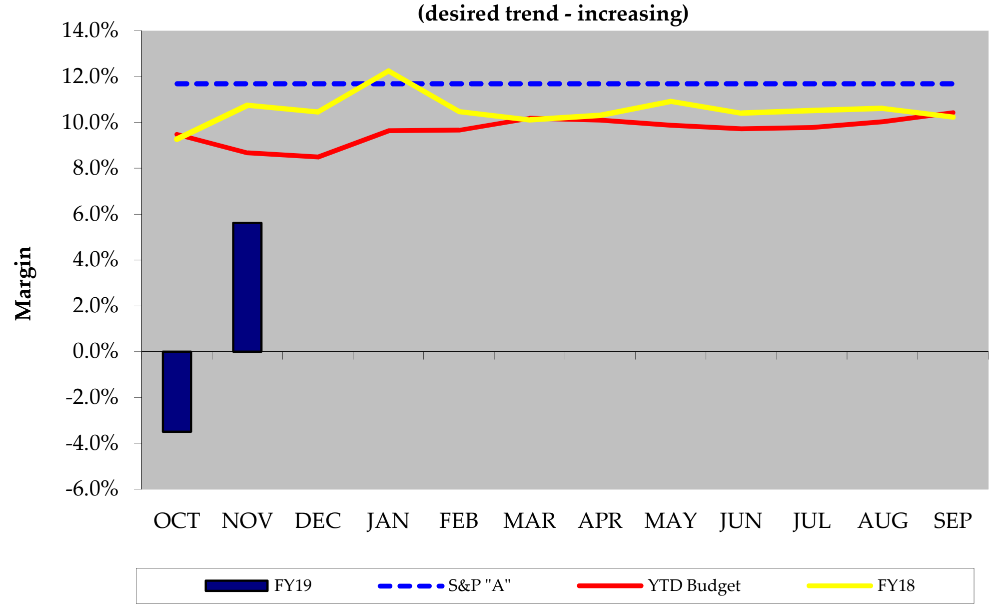
(Cumulative YTD Basis)
(Excludes nonoperating gains and losses)
(desired trend - increasing)



Halifax Health
Financial Summary - Graphic

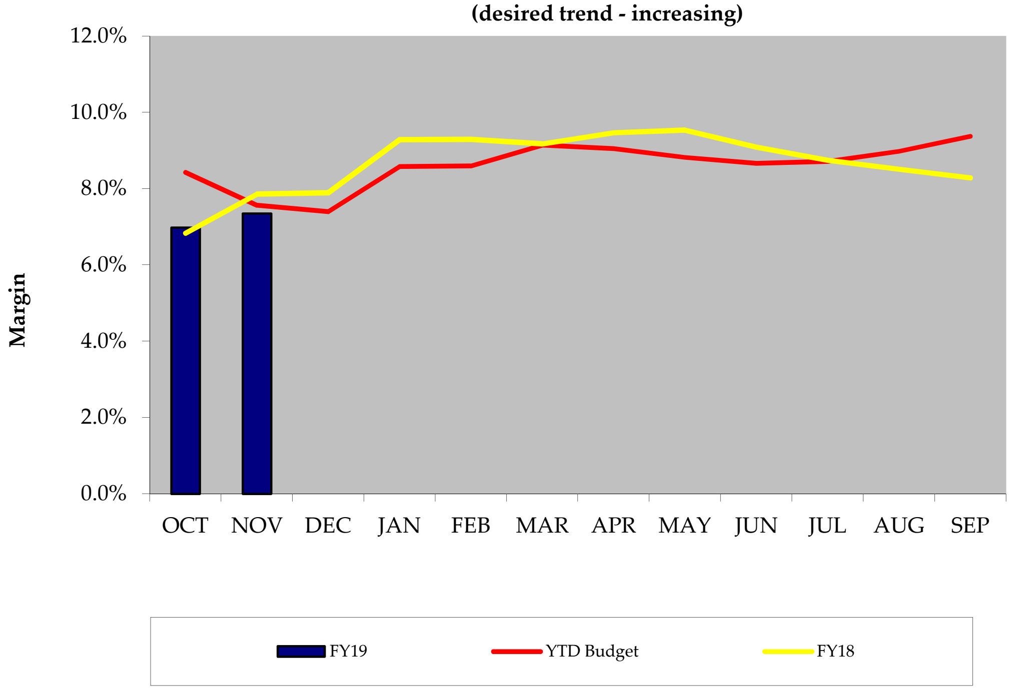
HH EBIDA Margin

(Cumulative YTD Basis)
(desired trend - increasing)



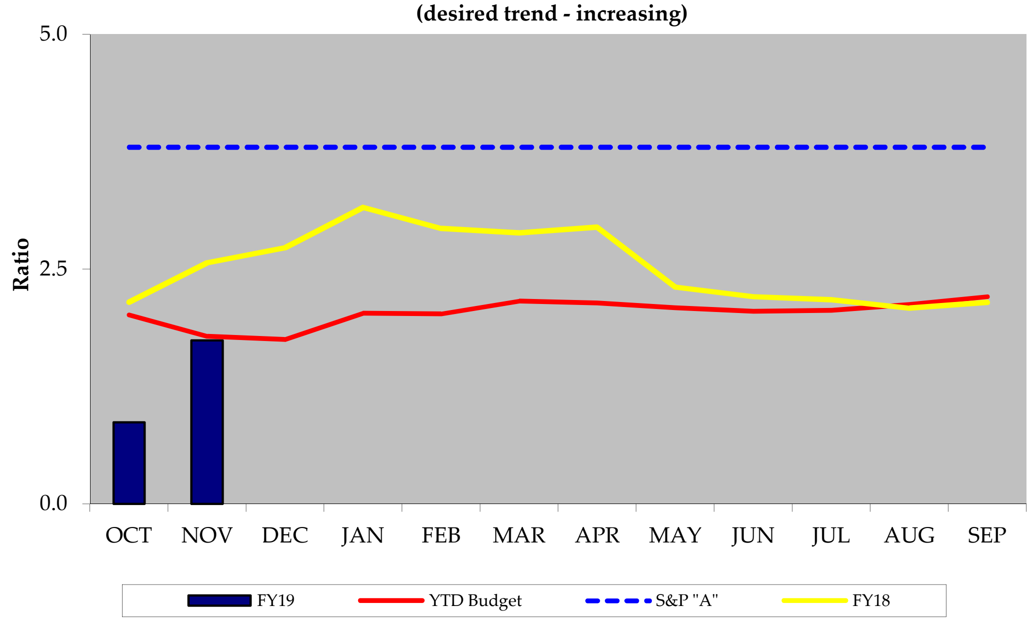
HH Adjusted Operating EBIDA Margin

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

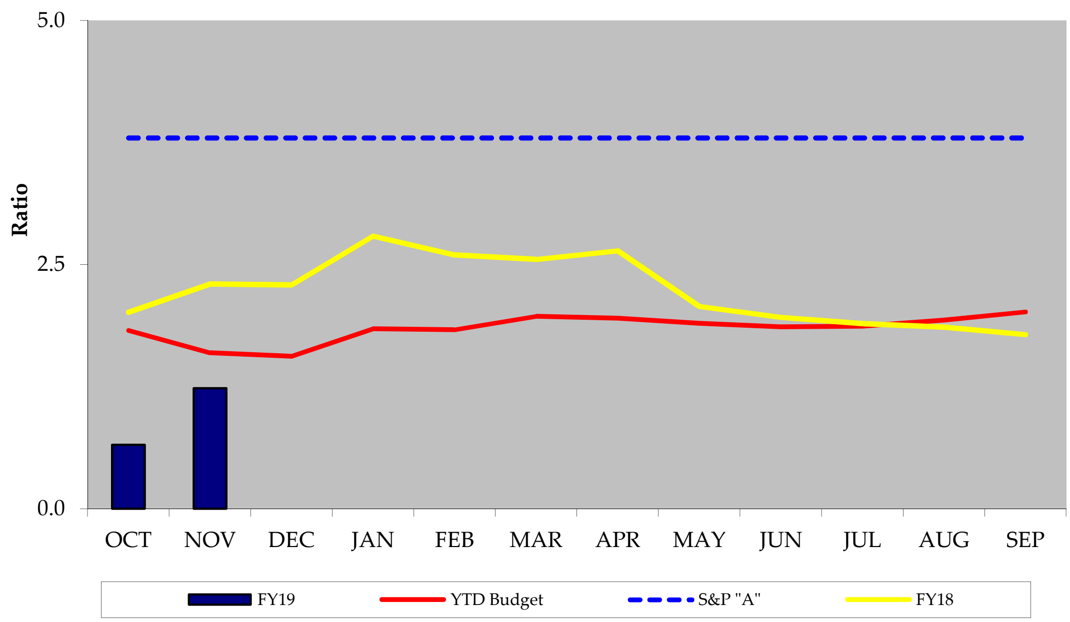


Halifax Health
Financial Summary - Graphic

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)



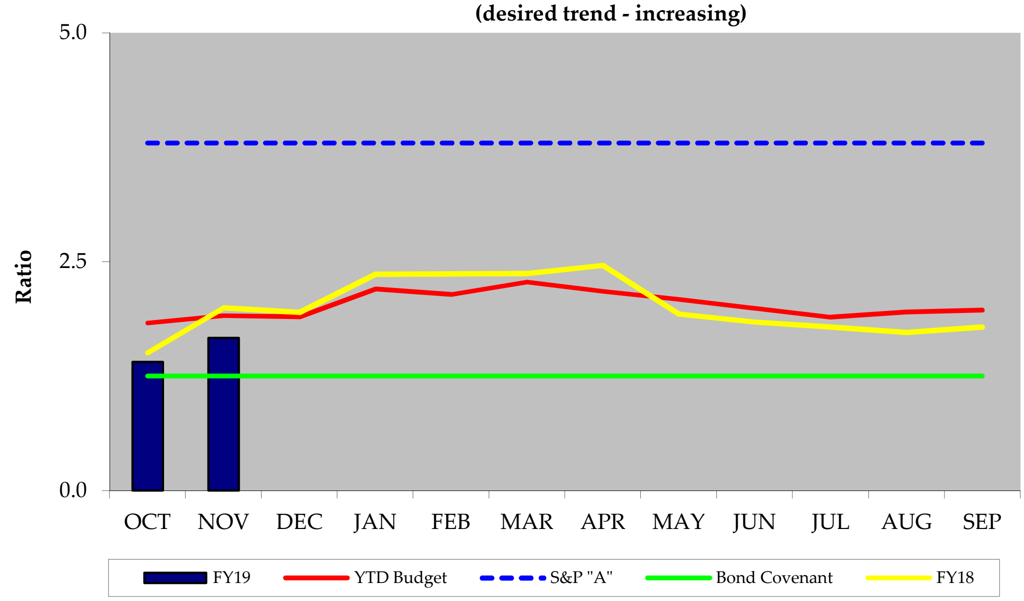
Halifax Health
Financial Summary - Graphic

HHMC Obligated Group MADS Coverage Ratio

(Annualized Basis)

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

(desired trend - increasing)

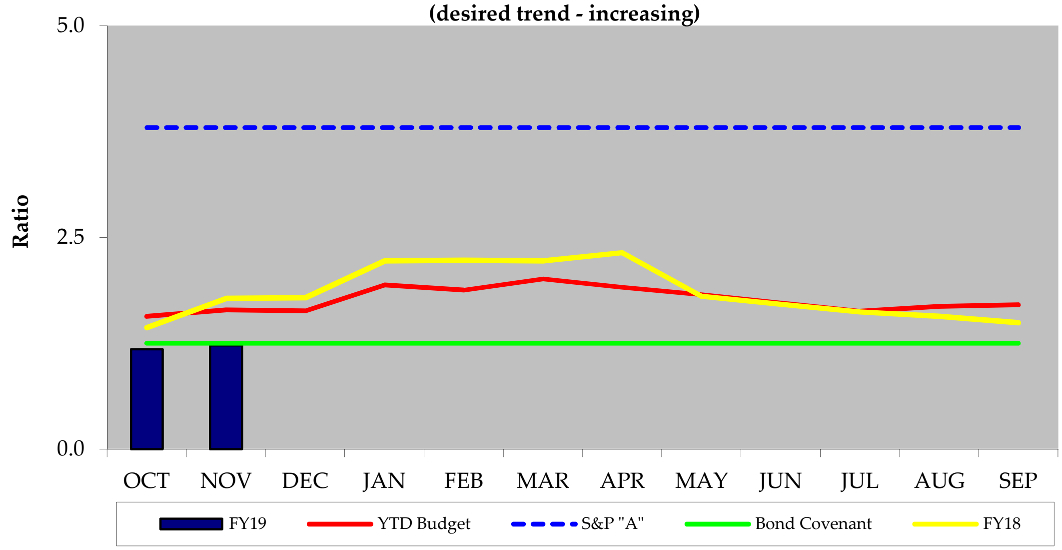


HHMC Obligated Group MADS Coverage Ratio - Operations Only

(Annualized Basis)

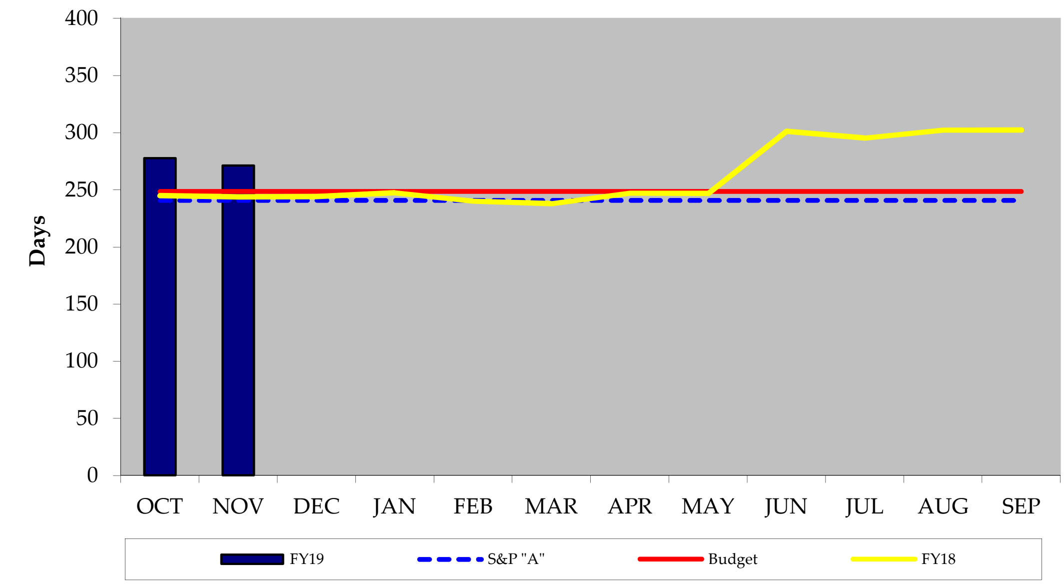
(Excludes nonoperating gains and losses)

(desired trend - increasing)

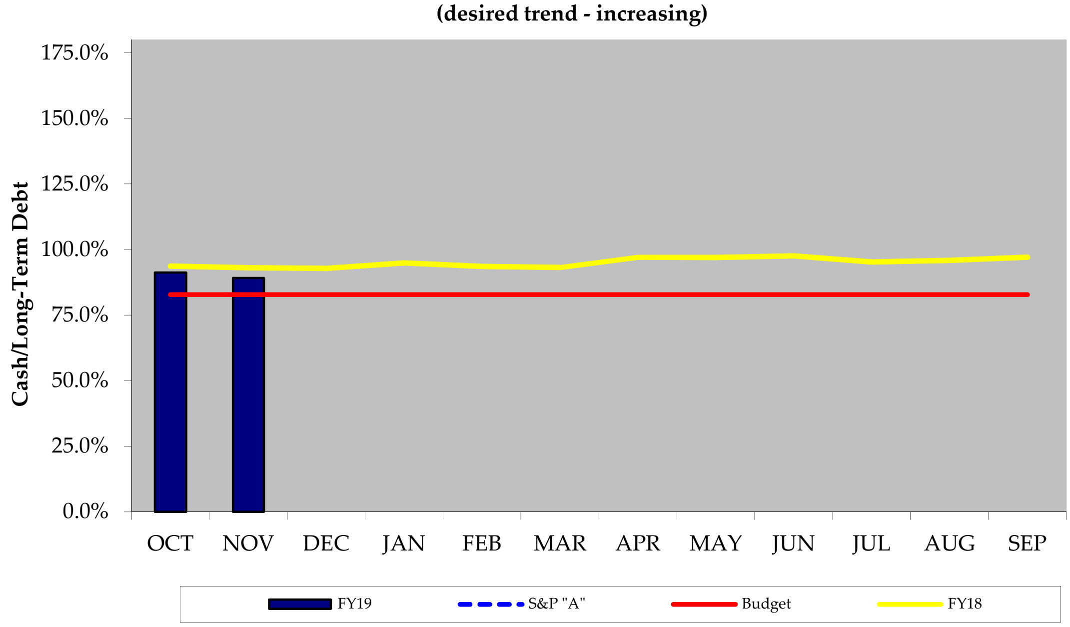


Halifax Health
Financial Summary - Graphic

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

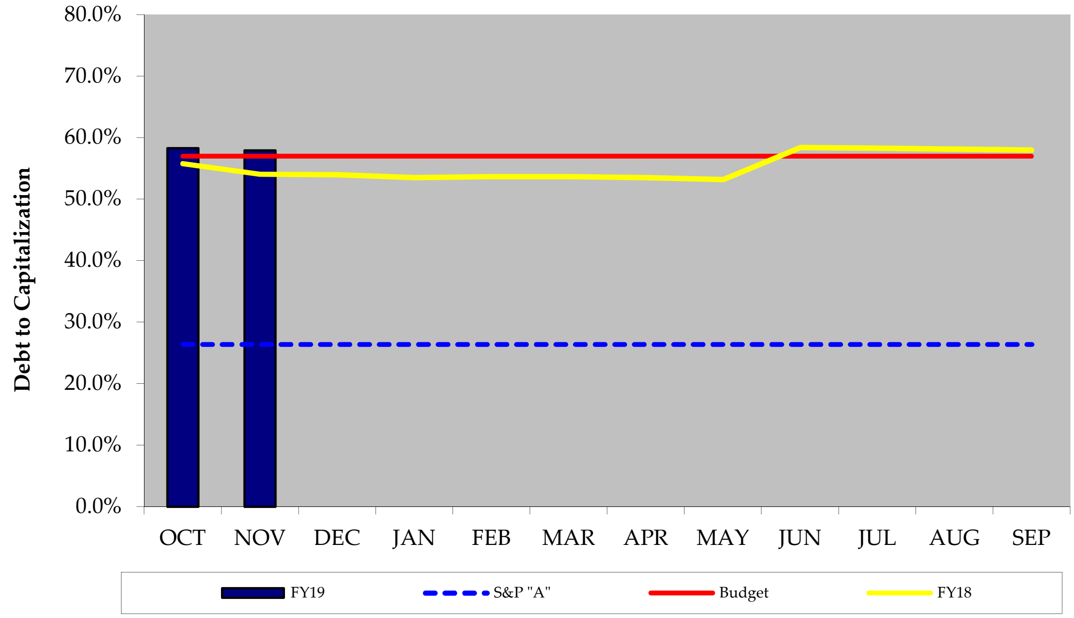


HH Cash/Debt
(Monthly)
(desired trend - increasing)

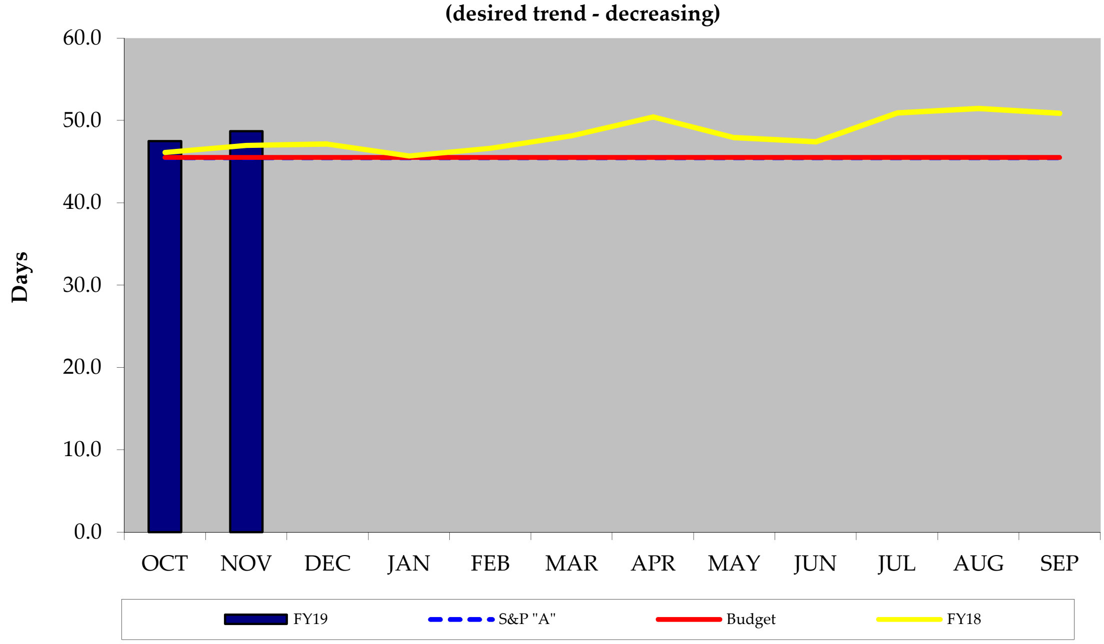


Halifax Health
Financial Summary - Graphic

HH Debt to Capitalization
(Monthly)
(desired trend - decreasing)

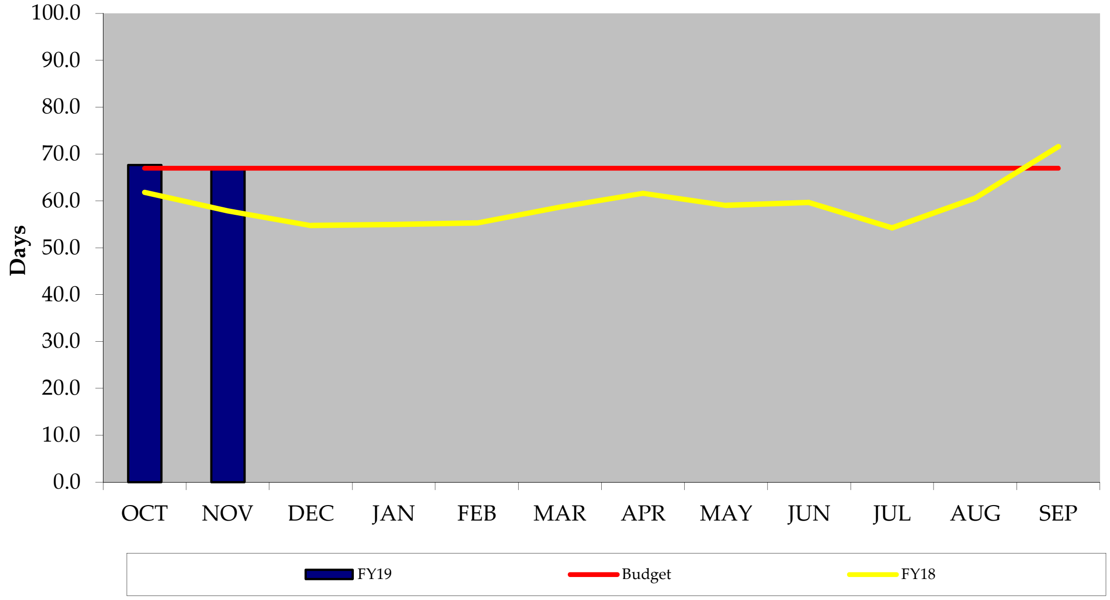


HH Days in A/R
(Annualized Basis)
(desired trend - decreasing)

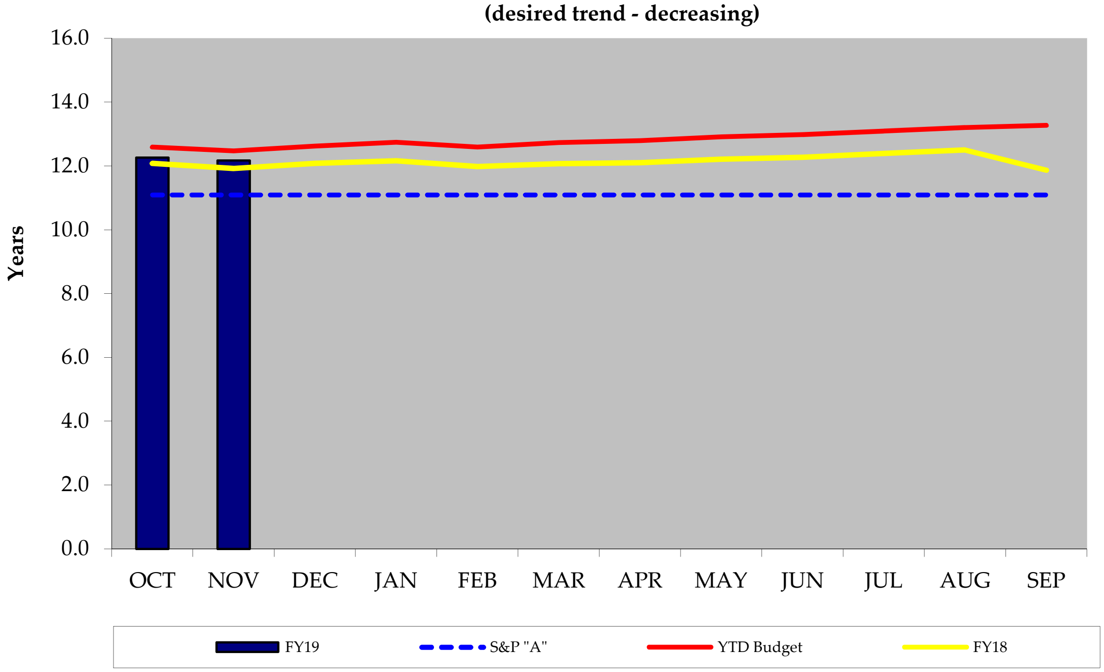


Halifax Health
Financial Summary - Graphic

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.	$\frac{\text{Net income + Int + Depr + Amort}}{\text{Total Revenues}}$
MADS Coverage Ratio *	Measures profitability relative to the Maximum Principal and Interest Payment of Debt	$\frac{\text{Net Income + Depr + Amort + Int}}{\text{Maximum Annual Debt Service}}$
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.	$\frac{\text{Unrestricted Cash and Investments}}{\text{(Total Expenses - Depr) / Days in Period}}$
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.	$\frac{\text{Long-term Debt}}{\text{Long-term Debt + Net Position}}$
Days in Accounts Receivable	Measures the average time that receivables are outstanding, or the average collection period.	$\frac{\text{Accounts Receivable}}{\text{Net Patient Service Revenue/ Days in Period}}$
Average Payment Period	Provides a measure of the average time that elapses before current liabilities are paid.	$\frac{\text{Current Liabilities}}{\text{(Total Expenses - Depr) / Days in Period}}$
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.	$\frac{\text{Excess of Operating Revenues}}{\text{Total Operating Revenues + Bad Debt}}$
* Operations Only Indicators	Excludes realized and unrealized investment income, donations, and nonoperating gains and losses	

Halifax Health

FY 2018 Capital Investment Strategy

Executive Summary

As of November, 2018

($ in thousands)

Targeted Unrestricted Cash and Investments - September 30, 2019 (251 days cash on hand)	**$ 362,023**

Projected FY 2019 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	**$ 11,640**	=	**This amount is greater than than the projected capital expenditures for FY 2019**

Capital Strategy Justifications for Approval of Proposed Capital Projects:

1. The targeted unrestricted cash and investments for September 30, 2019 (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 2019 capital budget.

Halifax Health
FY 2018 Capital Investment Strategy
As of November, 2018
($ in thousands)

	Hospital Only		HH Holdings		HH Obligated Group		VHS/HMS		Foundation		Hospice		Total Halifax Health	
Unrestricted Cash and Investments and days cash on hand														
Actual unrestricted Cash and Investments as of November30, 2018	$ 153,815		$ 126,459		$ 280,273		$ 1,691		$ 38,468		$ 75,532		$ 395,964	
Days cash on hand [S&P Calculation]	126.1				227.4						640.5		271.0	
Days cash on hand including bad debt [Bond Compliance Calculation]	92.9				167.9						632.1		208.5	
Projection of Cash Available for Capital Investment - FY 2019														
Actual unrestricted Cash and Investments as of November30, 2018		$ 153,815		$ 126,459		$ 280,273		$ 1,691		$ 38,468		$ 75,532		$ 395,964
Budgeted Cash and Investments at September 30, 2019		165,807		94,126		259,933		724		36,202		65,164		362,023
Difference		(11,992)		32,333		20,341		967		2,265		10,368		33,941
<u>**Calculation of Cash from Operations Available for Capital Investment**</u>														
Gain from operations - budgeted FY 2019- Remaining	$ (10,000)		$ -		$ (10,000)		$ -		$ -		$ -		$ (10,000)	
GASB 68 pension accounting - budgeted FY 2019- Remaining	9,820		-		9,820		-		-		567		10,387	
Depreciation expense - budgeted FY 2019- Remaining	19,871		631		20,501		661		-		648		21,810	
Expected cash from operations- budgeted FY 2019- Remaining		19,691		631		20,321		661		-		1,215		22,198
Donations and nonoperating gains, net- budgeted FY 2019- Remaining		215		-		215		-		-		589		803
Investment gains- budgeted FY 2019- Remaining	$ 5,679		$ 3,013		$ 8,692		$ -		$ -		$ 2,333		$ 11,025	
Portion being made available for capital expenditures	100%	5,679	100%	3,013	100%	8,692	100%	-	100%	-	100%	2,333	100%	11,025
Pension Funding (paid Oct 2018)		-		-		-		-		-		-		-
Expected changes in working capital through September 30, 2019		11,038		-		11,038		-		-		-		11,038
Deltona capital expenditures to be funded by planned financing ($105m+$3.8m-$45m)				(63,346)		(63,346)		-		-		-		(63,346)
FEMA reimbursement for Data Center Construction		1,500				1,500		-		-		-		1,500
Principal payments on debt		(5,520)		-		(5,520)		-		-		-		(5,520)
Total expected cash and investments available for capital expenditures	(A)	$ 20,611	(A)	$ (27,369)	(A)	$ (6,758)	(A)	$ 1,628	(A)	$ 2,265	(A)	$ 14,505	(A)	$ 11,640
Projected Capital Investments FY 2019														
Capital projects approved in FY 2018 and prior		$ 10,743		$ -		$ 10,743		$ -		$ -		$ -		$ 10,743
FY2019 capital budget		19,700		-		19,700		-		-		300		20,000
Estimated carryover of approved projects to FY 2020		(10,000)		-		(10,000)		-		-		-		(10,000)
Projected capital expenditures	(B)	20,443	(B)	-	(B)	20,443	(B)	-	(B)	-	(B)	300	(B)	20,743
Projected funds available in excess of capital expenditures	(A)-(B)	$ 168	(A)-(B)	$ (27,369)	(A)-(B)	$ (27,202)	(A)-(B)	$ 1,628	(A)-(B)	$ 2,265	(A)-(B)	$ 14,205	(A)-(B)	$ (9,104)
Summary of Capital Approvals														
FY 2019 Capital Budget		$ 19,700		$ -		$ 19,700		$ -		$ -		$ 300		$ 20,000
Projected funds available in excess of FY 2019 Capital Investment		168		(27,369)		(27,202)		1,628		2,265		14,205		(9,104)
FY 2019 Capital Budget plus projected excess funds	(C)	19,868	(C)	(27,369)	(C)	(7,502)	(C)	1,628	(C)	2,265	(C)	14,505	(C)	10,896
FY 2019 Board of Commissioners approved projects		-		-		-		-		-		-		-
FY 2019 CIC approved projects, net of those subsequently approved by the Board		246		-		246		-		-		-		246
Approved capital projects	(D)	246	(D)	-	(D)	246	(D)	-	(D)	-	(D)	-	(D)	246
Adjustments (FY 2019 board approvals, approved by CIC in FY 2018)	(E)	238	(E)	-	(E)	238	(E)	-	(E)	-	(E)	-	(E)	238
Available for new projects	(C)-(D)-(E)	$ 19,383	(C)-(D)-(E)	$ (27,369)	(C)-(D)-(E)	$ (7,986)	(C)-(D)-(E)	$ 1,628	(C)-(D)-(E)	$ 2,265	(C)-(D)-(E)	$ 14,505	(C)-(D)-(E)	$ 10,412
Renal Replacement Therapy Equipment (Prismaflex)		92		-		92		-		-		-		92
Available Capital if Proposed Projects are Approved		$ 19,292		$ (27,369)		$ (8,078)		$ 1,628		$ 2,265		$ 14,505		$ 10,320

Halifax Health
FY 2019 Capital Budget
(in Thousands)

Item	Information Technology	(A) FY 19 Capital Budget	(B) FY 19 Approvals	(A) + (B) Remaining Balance
1	Laptop/Desktop Refresh	$ 600	$ -	$ 600
2	IT Internal Resource Capitalization	500		500
3	IT Enterprise Projects	500		500
4	NAS Hardware Replacement	400		400
5	PBX Room Decommission	400		400
6	WOW Replacements	200		200
7	Security Camera Upgrade to IP	150		150
8	Wireless Upgrade	150		150
9	Enterprise Infrastructure	100	(9)	91
	Total Information Technology	**$ 3,000**	**$ (9)**	**$ 2,991**
Item	**Medical Equipment**			
10	Siemens Nexaris Angio/CT Oncology Suite Project	$ 2,500	$ -	$ 2,500
11	Echo Cart Replacement (2)	470		470
12	Ventilators (15)	446		446
13	Patient Monitors (6)	350		350
14	EP Ablation System & Mapping Upgrade	350		350
15	Epiphany EKG Data Management System Upgrade	350		350
16	Baxter Pumps (100)	302		302
17	Critical Care Beds (16)	259		259
18	Med/Surg Beds (27)	162		162
19	Portable X-Ray System (1)	160		160
20	Diagnostic Ultrasound Unit Replacement HHPO (1)	148	(147)	1
21	Ultrasound Machine (1)	140		140
22	Medical Equipment Emergency Purchases over $100,000	1,000		1,000
23	Medical Equipment Projects under $100,000	1,338	(241)	1,097
	Total Medical Equipment	**$ 7,975**	**$ (388)**	**$ 7,587**
Item	**Infrastructure/Facilities**			
24	T-Zone AHU Replacement	$ 1,250	$ -	$ 1,250
25	Humidifiers	700		700
26	500 Ton Chiller	600		600
27	AHU D Replacement	300		300
28	South Machine Room Heat Exchanger Replacement	175		175
29	Infrastructure Emergency Purchases over $100,000	1,000		1,000
30	Infrastructure Projects under $100,000	1,000	(167)	833
	Total Infrastructure/Facilities	**$ 5,025**	**$ (167)**	**$ 4,858**
Item	**Hospice Capital Expenditures**			
31	Hospice Capital	$ 300	$ (12)	$ 288
	Total Hospice Capital Expenditures	**$ 300**	**$ (12)**	**$ 288**
Item	**Other**			
32	Service Expansion	$ 3,700	$ -	$ 3,700
	Total Other	**$ 3,700**	**$ -**	**$ 3,700**
Item	**2018 Capital Budget Carryover**			
33	Portable X-Ray System	$ 185	$ -	$ 185
34	Diagnostic Reading Monitors	150		
	Total 2018 Capital Budget Carryover	**$ 185**	**$ -**	**$ 185**
	Total HH Capital Expenditures	**$ 20,185**	**$ (576)**	**$ 19,609**

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

Capital funds required for projects approved in FY 2018 and prior	Project Approval Date	Total Carryover and Approved	Spent During FY 2019	HMC Remaining to be Spent
Data Center Construction	2/21/2018	$ 1,959	$ 3	$ 1,962
Vendor Neutral Archive (VNA) for Enterprise Imaging	8/8/2016	1,474	(1)	1,472
ROC Renovation	3/21/2018	1,380	(45)	1,335
CT Scanner - Radiation Oncology	4/18/2018	517	-	517
Roof Replacement, Building B	7/18/2018	505	-	505
Pediatric Telemetry Monitors	12/20/2018	429	-	429
Wound Therapy Units (x13)	5/16/2018	358	-	358
Security Camera System	6/20/2018	349	-	349
Laundry Facility Modification	5/16/2018	327	-	327
Fan Coil Units (FCUs) Connection to Emergency Generator at HHPO	1/17/2018	300	-	300
GI Lab Relocation	10/18/2017	245	(36)	209
Echo Cart (Ultrasound) with TEE Probe	7/18/2018	222	-	222
IV Pumps	9/5/2017	202	-	202
Professional Development Renovation-3rd Floor Fountain Building	2/21/2018	196	(83)	113
Storage for Servers & Applications for Parrish	6/20/2018	188	(180)	8
Port Orange Equipment Refresh	2/17/2016	180	-	180
Fairwarning Patient Privacy System	5/1/2017	156	-	156
Diagnostic Ultrasound for HHPO	8/22/2018	147	-	147
Cath Lab Renovation	8/16/2017	146	(96)	50
New Smyrna Beach Family Practice-Expansion	9/5/2017	138	-	138
OB Headwalls (x11) Upgrade-2nd Floor Fountain Building	2/21/2018	129	-	129
Desktops (Qty 650) & Laptops (Qty 75)	5/16/2018	123	(123)	-
Audio Visual Equipment France Tower Rooms A-G & Auditorium	7/18/2018	105	-	105
Subtotal of approved items less than $100k		929	(152)	777
Total Capital funds required for projects approved in FY 2018 and prior		**$ 11,591**	**$ (848)**	**$ 10,743**

FY2019 Board Approved Capital Projects				
Diagnostic Ultrasound for HHPO	8/22/2018	$ 147	$ -	$ 147
Renovation of Suite 210 in the 201 Building	8/22/2018	91	-	91
Total FY 2018 Board Approved Capital Projects		**$ 238**	**$ -**	**$ 238**

FY 2019 Other Approved Capital Projects				
Work Benches and Refrigerator for ROC Pharmacy	10/17/2018	$ 49	$ -	$ 49
CT Console	11/20/2018	40	-	40
Skull Clamp	10/17/2018	26	-	26
Surgical Light for TLSC	11/20/2018	22	-	22
Radiology Reading Monitors (Qty 2)	11/20/2018	19	-	19
BIS Monitors (Qty 8)	10/17/2018	17	-	17
Visitor Badging System	11/20/2018	14	-	14
Office Remodel & Desk for Director's Office	10/17/2018	8	(2)	6
MD APP Software	10/17/2018	8	-	8
Hysteroscope	10/17/2018	7	(8)	(0)
Light Poles (Qty 2) for Hospice POCC	11/20/2018	5	-	5
Conveyor Oven for France Tower Café	11/20/2018	5	-	5
Wipe Test Counter	10/17/2018	5	-	5
Access Control for POCC & WVCC Medication Rooms	11/20/2018	4	-	4
Bronchoscope Monitors (Qty 2)	10/17/2018	4	(4)	(0)
Surgical Stools (Qty 2)	10/17/2018	4	-	4
Instrument Holder for Mini Valve Procedures	10/17/2018	4	(4)	(0)
Vaclok Pump for Oncology	10/17/2018	3	(3)	(0)
HVAC for Patient Room 5-POCC	11/20/2018	3	-	3
Laptop for CMC Ormond Beach	11/20/2018	2	-	2
Subtotal of approved items less than $50k		246	(21)	226
Total FY 2019 Other Approved Capital Projects		**$ 246**	**$ (21)**	**$ 226**

Projects proposed for Board of Commissioners approval				
Renal Replacement Therapy Equipment (Prismaflex)	11/20/2018	$ 92	$ -	$ 92
Total Project(s) proposed for Board approval		**$ 92**	**$ -**	**$ 92**

CAPITAL EXPENDITURES & OPERATING LEASES

Audit & Finance Committee
January 2019

Capital Expenditures $50,000 and over

DESCRIPTION	DEPARTMENT	SOURCE OF FUNDS	TOTAL
Mobile X-ray System	Radiology Department	Working Capital	$138,625
Ultrasound Echocardiogram for EP Lab	Cardiology Department	Working Capital	$120,226
Dialysis Machines	Dialysis	Working Capital	$91,720

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: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: December 19, 2018
RE: Mobile X-ray System

Halifax Health Radiology Department is requesting funds to purchase a mobile digital x-ray system for the Halifax Health main campus.

The new system will significantly improve image quality and lower the radiation dose to patients by 50 percent compared to the current computed radiology x-ray system.

The project was approved at the Capital Investment Committee meeting on December 19, 2018.

TOTAL CAPITAL COSTS **$138,625**

Halifax Health

Project Evaluation

Mobile X-raySystem

Senior VP & COO, Hospitals	Alberto Tineo
VP Operations	Matt Petkus
Financial Analysis	Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of a mobile digital x-ray system that will significantly improve image quality and lower the radiation dose to patients by 50% compared to the current computed radiology x-ray system.

Strategic Plan Core Competency Achievement:

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

Cornerstone:

Safety	X
Compassion	X
Image	
Efficiency	X

Investment Request for Approval **$138,625**

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: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Matt Petkus, Vice President Operations
DATE: December 18, 2018
RE: Ultrasound Echocardiogram for EP Lab

Halifax Health Cardiology Department is requesting funding to purchase an ultrasound echocardiogram machine for the Electrophysiology (EP) Lab. The equipment will be used for transthoracic and transesophageal echocardiogram imaging during atrial fibrillation ablation procedures and left atrial appendage procedures.

The current equipment is shared between the Echocardiography (Echo) and EP Labs. The Echo department performs over 4,000 studies a year; the EP lab performs over 1,000 procedures a year.

The contribution margin for patients that received an Echo Ultrasound in 2017 was $11M.

The project was approved at the Capital Investment Committee meeting on July 18, 2018.

Total Capital Costs **$120,226**

Halifax Health

Project Evaluation

Ultrasound Echocardiogram

Chief Operating Officer, Hospitals	Alberto Tineo
VP Operations	Matthew Petkus
Manager, Cardiac Cath Lab	Lismer Castellano
Financial Analysis	Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of a new ultrasound echocardiogram machine for the EP Lab.

Strategic Plan Core Competency Achievement:

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

Cornerstone:

Safety	
Compassion	
Image	X
Efficiency	X

Investment Request for Approval **$120,226**

Estimated useful life 5 years

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: Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC: Tonja Williams, RN Interim Chief Nursing Officer
DATE: December 18, 2018
RE: Dialysis Machines

Halifax Health Dialysis is requesting funds to purchase four (4) dialysis machines. The machines will provide continuous renal replacement therapy (CRRT) to critically ill patients at the main and Port Orange campuses. The current machines are 13 years old and replacement parts are no longer in production.

The new CRRT machines are considered the standard of care and have been requested by our nephrologists and intensivists. CRRT is a form of dialysis which takes place over 24-hours at a very slow rate. The slow, constant process provides gradual and more tolerable regulation of the blood chemistry for critically ill patients. Additionally, CRRT dialysis can substantially reduce clotting issues due to the use of specifically designed dialytic solutions.

The project was approved at the Capital Investment Committee meeting on November 20, 2018.

TOTAL CAPITAL COSTS **$91,720**

Halifax Health

Project Evaluation

Dialysis Machines (4)

Senior VP & COO, Hospitals	Alberto Tineo
Interim Chief Nursing Officer	Tonja Williams, RN
Financial Analysis	Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of four (4) dialysis machines with a new CRRT form of dialysis that provides gradual and more tolerable regulation of blood chemistry for critically ill patients. The machines will replace current machines that are beyond their useful life.

Strategic Plan Core Competency Achievement:	
Physician Integration	
Care Coordination	X
Cost Management	
Information Technology	
Service Distribution	X
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	X

Cornerstone:	
Safety	X
Compassion	X
Image	X
Efficiency	X

Investment Request for Approval **$91,720**

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

Halifax Health Medical Center
Capital Disposals
October/November 2018

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

Asset #	Description	Department	Date Purchased	Disposition Status	Original Cost	Book Value
51109	BASE CERVICAL MGMT OSI	OR	09/07/00		5,006.72	-
51074	SKULL CLAMP MODIFIED	OR	07/19/00		2,588.43	-
56755	CAPRAC WELL COUNTER	HHPO NUC MED	03/27/08		4,574.45	
59133	CARESCAPE VITAL SIGNS MONITOR	ED PSYCH	11/01/11		2,787.30	-
				Total to be Disposed:	**$ 14,956.90**	**$ -**

Halifax Health Audit & Finance Committee

Request Tracker/Checklist

Meeting Date	Request	Projected Timeline	Frequency of Future Updates/Reports	Completed (Y/N)	Other
10/31/2018	Provide Trends Related to Revenue	January 9, 2019 Meeting	One Time Request		
	Develop/Draft Written Procedure for Reviewing Physician Payments	February 27, 2019 Meeting	One Time Request		
8/29/2018	High Level Snapshot of Revenue Cycle Presentation	February 27, 2019 Meeting	One Time Request		
5/2/2018	Data Center Construction Project	TBD	Bring Back as Needed/With Updates		$2,000,000 ($1.5 million FEMA covered, if approved)

HALIFAX HEALTH

Corporate Compliance
P.O. Box 2830, Daytona Beach, FL 32114
Tel: 386.425.4970 Fax: 386.254.4364
E-mail: compliance@halifax.org

To: Halifax Health Commissioners, Volusia Health Network Board Members, Board-Level Committee Members, Non Employed Physician Leadership

From: Shelly Shiflet, Vice President and Chief Compliance Officer

Subject: Conflict of Interest; Disclosure of Certain Outside Interests and Statement of Understanding Regarding the Code of Conduct

Date: November 15, 2018

M E M O R A N D U M

Please complete the enclosed form and sign the certification statement on the last page. Return the completed form to my office by mail, e-mail to compliance@halifax.org, or fax to 386-254-4364 within two weeks.

Thank you,

Shelly Shiflet
Vice President and Chief Compliance Officer
Direct: (386) 425-4970
Fax: (386) 254-4364
shelly.shiflet@halifax.org

Halifax Health
Conflict of Interest Disclosure Form
Additional Information and Definitions

Additional Information

Conflicts of interest can also arise when:

- Outside activities or personal interests influence or appear to influence decisions you make in your position within Halifax Health;
- The outside interest lessens the efficiency, alertness or productivity normally expected of team members in their jobs;
- You have a financial interest in the activity, e.g., employed by, partner, owner or investor;
- The outside interest places one in the position of representing (or appearing to represent) Halifax Health;
- The outside interest involves services substantially similar to those Halifax Health provides or is considering making available;
- The outside interest is with an individual or entity whose services are employed by Halifax Health;
- The outside interest is with an individual or entity that refers patients to Halifax Health, or with an individual or entity who provides services for or employs a source of referrals; or;
- The outside interest is with an individual or entity to which patients of Halifax Health may be referred (for example, a provider of ancillary services).

If in doubt about a reportable situation, we advise full disclosure, or consultation with General Counsel or the Compliance Officer prior to submission of the report.

Definitions

Outside Interest; Material Financial Interest

A reportable outside interest is one in which you hold, directly or indirectly, a position or a material financial interest in any outside concern from which the individual has reason to believe Halifax Health secures goods or services (including the services of buying or selling stocks, bonds or other securities) or that provides services competitive with Halifax Health. The phrase "material financial interest" is defined as a percentage of the direct or indirect ownership or beneficial interest in another organization of 5 percent (5%) or more.

Outside Activities

Reportable outside activities are those in which you directly or indirectly compete with Halifax Health, including affiliated organizations, in the purchase or sale of property, property rights, interests, products or services. Outside Activities also include directive, managerial or consultative services to any outside concern that does business with, or competes with, Halifax Health.

Gifts, Gratuities, Business Courtesies and Entertainment

Reportable items include gifts, entertainment or other favors from any outside concern that does, or is seeking to do, business with, or is a competitor of, Halifax Health under circumstances from which it might be inferred that such action was intended to influence or possibly would influence the individual in the performance of his duties. This does not include the acceptance of items of nominal or minor value that are clearly tokens of respect or friendship and are not related to any particular transaction or activity of Halifax Health.

Report all items with a value greater than $50.

Family; Immediate Family

Family means spouse, domestic partner, parent, sibling, child or other relative[1]. Immediate family is limited to spouse, parent, sibling and child.

Inside Information

Information gained by reason of one's position with Halifax Health, not available to members of the general public, whereby its use or disclosure may be used for one's personal gain, or the personal gain or benefit of any other person or entity.

[1] Relative includes father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, grandparent, great grandparent, grandchild, great grandchild, step grandparent, step great grandparent, step grandchild, step great grandchild, a person to whom one is engaged to be married or who otherwise holds himself or herself out as or is generally known as the person one intends to marry or with whom one intends to form a household, or any other natural person having the same legal residence. [§ 112.312(21), Fla. Stat.]

Halifax Health
Conflict of Interest Disclosure Form

Printed Name:	
Title:	
Org/Dept/Committee	

The following information is provided pursuant to the purposes and intent of certain Resolutions, the Code of Conduct adopted by the Halifax Health Board of Commissioners and Chapter 112, Florida Statutes, requiring disclosure of certain interests and activities.

I hereby state that as of the date hereof, and, if applicable, for the period of time since my last conflict of interest questionnaire, I or members of my immediate family have the following affiliation or interests and have taken part in the following transactions that, when considered in conjunction with my position or relationship with Halifax Health[2], might possibly constitute a conflict of interest. (Please check "None" or "No" where applicable.)

1. Outside Relationships

Are you employed by a government agency, or do you have an employment, consulting, financial or investment relationship with any entity that competes with or does business with HH?

If yes, please enter the name of the entity and your position.

( ) No ( ) Yes - describe below

____

____

2. Investments and Financial Interests

List and describe, with respect to yourself or your immediate family, all investments and financial interests that might be within the category of "material financial interest" as described in the definitions in the accompanying memorandum.

( ) None

____

____

3. Outside Activities

Identify any outside activities, other than investments, of yourself or your immediate family as described in the definitions in the accompanying memo and that might be a potential conflict of interest.

( ) None

____

____

Continued…

[2] A potential conflict that exists with any one Halifax Health entities is deemed to be a conflict with all entities of Halifax Health.

4. **Business Courtesies**

Have you, or a member of your immediate family, accepted gifts, gratuities, entertainment or other business courtesies as described in the Additional Information?

Report all items with a value greater than $50.

( ) None

____

____

5. **Other Events, Activities, or Concerns**

Are there any other events, activities or situations of which you are aware that may *potentially* be a conflict of interest as described in the Additional Information or the Code of Conduct, including, but not limited to, the use or disclosure of inside information?

( ) None

____

____

6. **Physician Relationships**

Are you related to any member of the **Halifax Health Medical staff** or any physician who makes referrals to Halifax Health? If yes, please list the physician (s) and the relationship to you.

( ) None

Name(s) of physician(s) Relationship to you ______________________________

____

____

7. **Practice of Medicine**

During the past twelve months, have you engaged in the practice of medicine, including supervision or medical direction, outside the scope of your employment at Halifax Health?

( ) None

Name(s) of organization(s) Scope of Practice and Position:

____

____

Continued…

8. Clinical Research / Advisor

During the past twelve months, have you been involved (other than as a patient) in any clinical trial or served as an advisor to a company involved in health care related services or products?

( ) None

Name(s) of organization Clinical Trial and/or Position

____

____

9. Code of Conduct Compliance

List any possible violations of the Halifax Health Code of Conduct of which you might be aware.

( ) None

____

____

10. Certification Statement

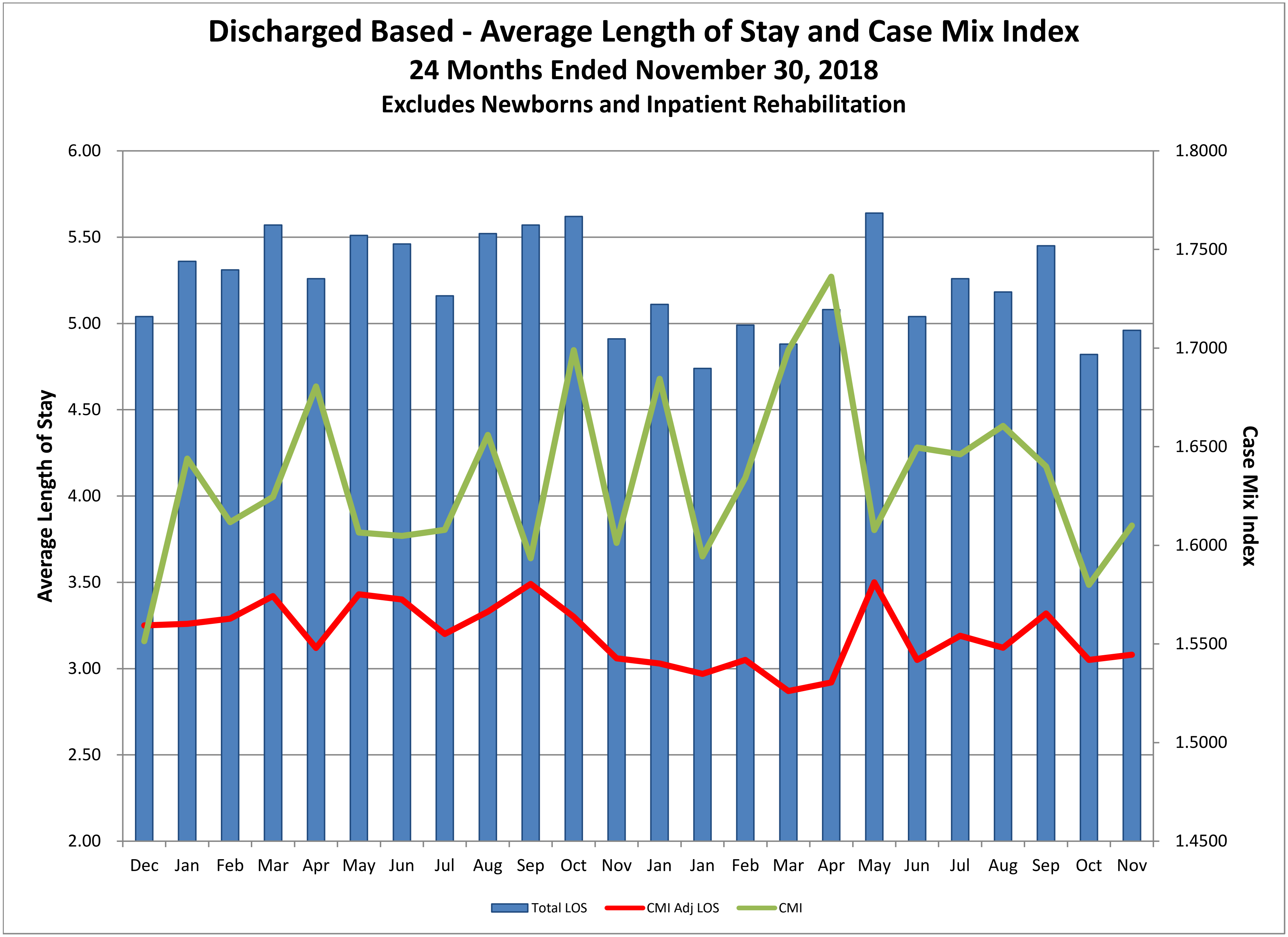
The Code of Conduct is located at:
https://www.halifaxhealth.org/sites/default/files/_documents/content/code_of_conduct_12.08.16.pdf

By signing below, you certify that:

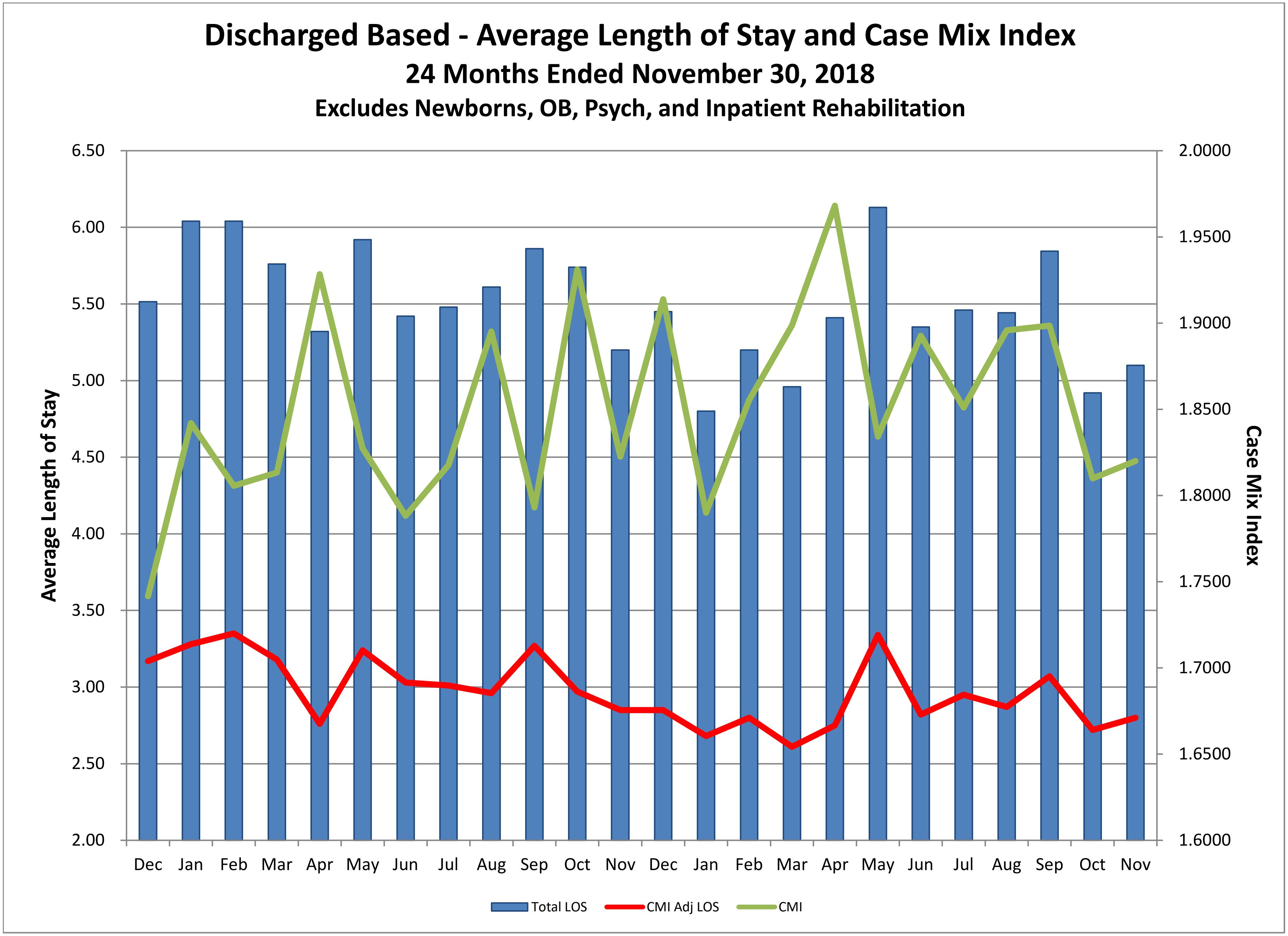
a. You have read and understand the Code of Conduct and the policies referred to in this questionnaire and agree to abide by them to the best of your ability during your relationship with Halifax Health;
b. The above is a true and complete report of activities or events that may *potentially* be a conflict of interest;
c. You agree to report to the Board Chairman, President/CEO or a member of the Compliance Committee in writing any further situations that may develop before completion of your next questionnaire;
d. You understand that a violation of the Code of Conduct may be grounds for corrective action, as may be applicable to your relationship with Halifax Health;
e. You have a duty to report any suspected violation of the Code of Conduct to the Board Chairman, management or the Compliance Committee.
f. You have not been convicted of, or charged with, a criminal offense related to health care, nor have you been excluded from participation in federal health programs.
g. At this time, you are not aware of any actual or potential violation of the Code of Conduct.

______________________________ ______________
Signature Date:

Thank you.
Please mail, e-mail or send via facsimile your completed questionnaire to:
Halifax Health
Attn: Compliance Department
303 North Clyde Morris Blvd.
Daytona Beach, Florida 32114
Facsimile: (386) 254-4364
E-mail: compliance@halifax.org



Discharged Based - Average Length of Stay and Case Mix Index
24 Months Ended November 30, 2018
Excludes Newborns and Inpatient Rehabilitation
Average Length of Stay
Case Mix Index
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.8000
1.7500
1.7000
1.6500
1.6000
1.5500
1.5000
1.4500
Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Jan Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov
Total LOS
CMI Adj LOS
CMI


Discharged Based - Average Length of Stay and Case Mix Index
24 Months Ended November 30, 2018
Excludes Newborns, OB, Psych, and Inpatient Rehabilitation
Average Length of Stay
Case Mix Index
6.50
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
2.0000
1.9500
1.9000
1.8500
1.8000
1.7500
1.7000
1.6500
1.6000
Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov
Total LOS
CMI Adj LOS
CMI

Halifax Health
Investment Manager Performance Report - through November 30, 2018

		November Performance	Calendar YTD	Fiscal Year
Fixed Income				
VFSIX - Vangaurd Short-Term Investment Gr.	Perf	0.06%	0.26%	-0.07%
	BMK	0.36%	0.34%	0.41%
VSGDX - Vanguard Short-Term Federal	Perf	0.38%	0.49%	0.47%
	BMK	0.49%	0.40%	0.61%
VMFXX - Vanguard Federal MM Fund	Perf	0.16%	0.49%	0.33%
	BMK	0.49%	0.40%	0.61%
Ponder Short-term Gov/Corporate - Holdings	Perf	1.49%	2.42%	1.60%
	BMK	0.36%	0.34%	0.41%
Ponder US Treasury Account - Holdings	Perf	0.24%	1.53%	0.42%
	BMK	0.49%	0.40%	0.61%
Ponder Short-Term Government - HHMC	Perf	0.33%	1.09%	0.46%
	BMK	0.49%	0.40%	0.61%
Ponder US Treasury Account - HHMC	Perf	0.23%	1.03%	0.42%
	BMK	0.49%	0.40%	0.61%
Ponder US Treasury Account - Foundation	Perf	0.21%	0.86%	0.39%
	BMK	0.49%	0.40%	0.61%
Ponder US Treasury Account - Hospice	Perf	0.21%	0.86%	0.39%
	BMK	0.49%	0.40%	0.61%
Ponder US Treasury Account - Pension	Perf	0.21%	0.84%	0.40%
	BMK	0.49%	0.40%	0.61%
Weighted Composite	**Perf**	**0.31%**	**0.83%**	**0.47%**
	BMK	**0.47%**	**0.38%**	**0.56%**
Equities				
DFSVX - DFA Small Cap Value	Perf	0.91%	-2.69%	-8.59%
	BMK	1.61%	-0.88%	-7.48%
DFLVX - DFA Large Cap Value	Perf	2.33%	-0.73%	-4.18%
	BMK	2.99%	1.48%	-2.34%
DFIVX - DFA International Value	Perf	-0.73%	-12.12%	-9.09%
	BMK	-0.09%	-9.41%	-8.03%
DFEVX - DFA Emerging Markets	Perf	3.58%	-9.99%	-5.12%
	BMK	4.12%	-12.22%	-4.95%
VGELX - Vanguard Energy	Perf	-3.91%	-7.37%	-14.35%
	BMK	-3.20%	-4.69%	-12.27%
VIGIX -Vanguard Large-Cap Growth	Perf	0.68%	5.78%	-8.42%
	BMK	1.06%	7.75%	-7.97%
VGHAX - Vanguard Health Care	Perf	5.42%	10.80%	-2.76%
	BMK	5.45%	10.63%	-1.70%
VSGIX - Vanguard Small-Cap Growth	Perf	1.90%	5.60%	-9.65%
	BMK	1.56%	2.69%	-11.29%
Weighted Composite	**Perf**	**1.15%**	**-2.54%**	**-7.60%**
	BMK	**1.62%**	**-1.06%**	**-6.75%**

Halifax Health

Investment Manager Performance Report - through November 30, 2018

	Invested Balance	November Performance		Calendar YTD	Fiscal YTD
HH Holdings					
VFSIX - Vanguard Short-Term Invest Grade	$ 24,223,871	Perf	0.06%	0.26%	-0.07%
		BMK	0.36%	0.34%	0.41%
Ponder Short-Term Gov't/Corporate	42,725,889	Perf	1.49%	2.42%	1.60%
		BMK	0.36%	0.34%	0.41%
Ponder US Treasury Account	53,898,613	Perf	0.24%	1.53%	0.42%
		BMK	0.49%	0.40%	0.61%
Total HH Holdings	$ 120,848,373	Composite	**0.53%**	**1.28%**	**0.67%**
		Budget			0.33%
HHMC					
Ponder Short-Term Government	$ 42,871,697	Perf	0.33%	1.09%	0.46%
		BMK	0.49%	0.40%	0.61%
Ponder US Treasury Account	85,516,876	Perf	0.23%	1.03%	0.42%
		BMK	0.49%	0.40%	0.61%
VSGDX - Vanguard Short-Term Federal	0	Perf	0.38%	0.49%	0.47%
		BMK	0.49%	0.40%	0.61%
Wells Fargo Halifax Hospital Trust	491,242	Perf	0.17%	1.31%	0.34%
		BMK	0.49%	0.40%	0.61%
Total HHMC	$ 128,879,815	Composite	**0.26%**	**1.09%**	**0.43%**
		Budget			0.33%

Halifax Health

Investment Manager Performance Report - through November 30, 2018

Foundation		Invested Balance		November Performance	Calendar YTD	Fiscal YTD
VFSIX - Vanguard Short-Term Invest Grade	$	2,392,089	Perf	0.06%	0.26%	-0.07%
			BMK	0.36%	0.34%	0.41%
Ponder US Treasury Account		17,841,914	Perf	0.21%	0.86%	0.39%
			BMK	0.49%	0.40%	0.61%
DFSVX - DFA Small Cap Value		3,780,403	Perf	0.91%	-2.69%	-8.59%
			BMK	1.61%	-0.88%	-7.48%
DFIVX - DFA International Value		1,841,820	Perf	-0.73%	-12.12%	-9.09%
			BMK	-0.09%	-9.41%	-8.03%
DFEVX - DFA Emerging Markets		760,936	Perf	3.58%	-9.99%	-5.12%
			BMK	4.12%	-12.22%	-4.95%
DFLVX - DFA Large Cap Value		8,785,047	Perf	2.33%	-0.73%	-4.18%
			BMK	2.99%	1.48%	-2.34%
VGELX - Vanguard Energy		339,381	Perf	-3.91%	-7.37%	-14.35%
			BMK	-3.20%	-4.69%	-12.27%
VIGIX -Vanguard Large-Cap Growth		3,352,257	Perf	0.68%	5.78%	-8.42%
			BMK	1.06%	7.75%	-7.97%
VGHAX - Vanguard Health Care		409,714	Perf	5.42%	10.80%	-2.76%
			BMK	5.45%	10.63%	-1.70%
VSGIX - Vanguard Small-Cap Growth		3,817,495	Perf	1.90%	5.60%	-9.65%
			BMK	1.56%	2.69%	-11.29%
Ponder MM Fund		6,253,681				
Total Foundation	$	49,574,737	Composite	**0.79%**	**0.46%**	**-2.90%**
			Budget			0.67%

Halifax Health

Investment Manager Performance Report - through November 30, 2018

		Invested Balance	November Performance		Calendar YTD	Fiscal YTD
Hospice						
VFSIX - Vanguard Short-Term Invest Grade	$	335,725	Perf	0.06%	0.26%	-0.07%
			BMK	0.36%	0.34%	0.41%
Ponder US Treasury Account		32,892,752	Perf	0.21%	0.86%	0.39%
			BMK	0.49%	0.40%	0.61%
DFSVX - DFA Small Cap Value		5,873,558	Perf	0.91%	-2.69%	-8.59%
			BMK	1.61%	-0.88%	-7.48%
DFIVX - DFA International Value		3,207,607	Perf	-0.73%	-12.12%	-9.09%
			BMK	-0.09%	-9.41%	-8.03%
DFEVX - DFA Emerging Markets		1,359,905	Perf	3.58%	-9.99%	-5.12%
			BMK	4.12%	-12.22%	-4.95%
DFLVX - DFA Large Cap Value		13,967,281	Perf	2.33%	-0.73%	-4.18%
			BMK	2.99%	1.48%	-2.34%
VGELX - Vanguard Energy		931,602	Perf	-3.91%	-7.37%	-14.35%
			BMK	-3.20%	-4.69%	-12.27%
VIGIX -Vanguard Large-Cap Growth		6,308,426	Perf	0.68%	5.78%	-8.42%
			BMK	1.06%	7.75%	-7.97%
VGHAX - Vanguard Health Care		1,029,413	Perf	5.42%	10.80%	-2.76%
			BMK	5.45%	10.63%	-1.70%
VSGIX - Vanguard Small-Cap Growth		6,782,619	Perf	1.90%	5.60%	-9.65%
			BMK	1.56%	2.69%	-11.29%
Total Hospice	$	72,688,888	Composite	**0.90%**	**0.20%**	**-3.69%**
			Budget			0.67%

Halifax Health
Investment Manager Performance Report - through November 30, 2018

	Invested Balance		November Performance	Calendar YTD	Fiscal YTD
Pension					
VFSIX - Vanguard Short-Term Invest Grade	$ 16,511,677	Perf	0.06%	0.26%	-0.07%
		BMK	0.36%	0.34%	0.41%
Ponder US Treasury Account	111,878,854	Perf	0.21%	0.84%	0.40%
		BMK	0.49%	0.40%	0.61%
DFSVX - DFA Small Cap Value	27,883,040	Perf	0.91%	-2.69%	-8.59%
		BMK	1.61%	-0.88%	-7.48%
DFIVX - DFA International Value	36,557,319	Perf	-0.73%	-12.12%	-9.09%
		BMK	-0.09%	-9.41%	-8.03%
DFEVX - DFA Emerging Markets	10,071,758	Perf	3.58%	-9.99%	-5.12%
		BMK	4.12%	-12.22%	-4.95%
DFLVX - DFA Large Cap Value	27,036,605	Perf	2.33%	-0.73%	-4.18%
		BMK	2.99%	1.48%	-2.34%
VGELX - Vanguard Energy	9,864,618	Perf	-3.91%	-7.37%	-14.35%
		BMK	-3.20%	-4.69%	-12.27%
VIGIX -Vanguard Large-Cap Growth	14,757,107	Perf	0.68%	5.78%	-8.42%
		BMK	1.06%	7.75%	-7.97%
VGHAX - Vanguard Health Care	11,632,513	Perf	5.42%	10.80%	-2.76%
		BMK	5.45%	10.63%	-1.70%
VSGIX - Vanguard Small-Cap Growth	15,685,302	Perf	1.90%	5.60%	-9.65%
		BMK	1.56%	2.69%	-11.29%
Wells Fargo Cash	2,284,961				
Wells Fargo Money Market	1,001,277				
Total Pension	$ 285,165,031	Composite	**0.64%**	**-1.39%**	**-4.20%**
		Budget			1.13%
Total Halifax Health, including Pension	**$ 657,156,844**				
Total Halifax Health, excluding Pension	**$ 371,991,813**				

INFORMATIONAL REPORT
January 2019

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

DESCRIPTION	DEPARTMENT	SOURCE OF FUNDS	TOTAL
Renovation of the Daytona ROC Pharmacy	Pharmacy	Working Capital	$49,236
CT Console for HHPO Radiology	Radiology Department	Working Capital	$40,000
Skull Clamp for Surgical Services	Surgical Services	Working Capital	$26,113

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:	Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC:	Dominick Damiani, Director Pharmacy
DATE:	November 15, 2018
RE:	Renovation of the Daytona ROC Pharmacy

Halifax Health Pharmacy is requesting funding for the renovation of the Daytona Beach Regional Oncology Center (ROC) Pharmacy. The renovation includes the installation of a laminar flow hood, replacement of work surfaces and flooring, and the installation of a low exhaust refrigerator.

The project will renovate the existing space and segregate it into three distinct classified areas; an ante-room, a non-hazardous clean room and a hazardous mixing clean room. The ante-room and the non-hazardous clean room are positive pressure rooms. The hazardous mixing room is a negative pressure room. Per design, the mixing of hazardous and non-hazardous medication compounds will occur in separate areas.

Additionally, regulatory changes require refrigerated hazardous medication to be stored in a negative air space with a return exhaust directly behind it. The flooring will be seamless and coated with epoxy paint to ensure a cleanable surface. Stainless steel work benches will be installed to meet the requirements for non-porous and cleanable surfaces.

The renovation will promote patient and worker safety, environmental protection and comply with the new regulatory standards.

The project was approved at the Capital Investment Committee meeting on October 17, 2018.

TOTAL CAPITAL COSTS **$49,236**

Halifax Health

Project Evaluation

Renovation of the Daytona ROC Pharmacy

Chief Operating Officer	Alberto Tineo
Director, Pharmacy	Dominick Damiani
Financial Analysis	Roxanne Edmonds

Summary

Purpose:

This project is for the renovation of the Daytona Beach Regional Oncology Center (ROC) Pharmacy to include the installation of a laminar flow hood, replacement of work surfaces and flooring and the installation of a low exhaust refrigerator. This renovation will segregate the existing space into three distinct classified areas, as well as adhere to regulatory changes related to hazardous medication storage.

Strategic Plan Core Competency Achievement:	
Physician Integration	
Care Coordination	X
Cost Management	
Information Technology	
Service Distribution	X
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:	
Safety	X
Compassion	
Image	X
Efficiency	

Investment Request for Approval **$49,236**

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:	Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC:	Matt Petkus, Vice President Operations
DATE:	December 18, 2018
RE:	CT Console for HHPO Radiology

Halifax Health Radiology Department is requesting funds to purchase a CT console upgrade for the CT scanner located at Halifax Health Port Orange (HHPO).

The CT console houses the software to operate the CT scanning equipment. The console is needed to process images at HHPO. The existing CT console has reached the end of its serviceable life.

The project was approved at the Capital Investment Committee meeting on November 20, 2018.

TOTAL CAPITAL COSTS **$40,000**

HALIFAX HEALTH

Halifax Health

Project Evaluation

CT Console for HHPO Radiology

Senior VP & COO, Hospitals	Alberto Tineo
VP Operations	Matt Petkus
Financial Analysis	Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of a CT console upgrade for the CT scanner located at Halifax Health Port Orange (HHPO).

Strategic Plan Core Competency Achievement:

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

Cornerstone:

Safety	
Compassion	
Image	
Efficiency	X

Investment Request for Approval **$40,000**

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

HALIFAX HEALTH

TO:	Jeff Feasel, President and Chief Executive Officer
FROM:	Alberto Tineo, Senior Vice President and Chief Operating Officer, Hospitals
CC:	Matt Petkus, Vice President Operations
DATE:	November 15, 2018
RE:	Skull Clamp for Surgical Services

Halifax Health Surgical Services is requesting funding for the purchase of a skull clamp. The current skull clamp is no longer usable and cannot be repaired.

The new skull clamp will be used to position the patient's head during extensive neurology cases. The equipment includes a swivel adaptor to provide 360-degree rotation for flexibility in patient positioning.

The project was approved at the Capital Investment Committee meeting on October 17, 2018.

TOTAL CAPITAL COSTS **$26,113**

HALIFAX HEALTH

Halifax Health

Project Evaluation

Skull Clamp

Chief Operating Officer	Alberto Tineo
VP Operations	Matt Petkus
Director, Surgical Services	Eric Little
Financial Analysis	Roxanne Edmonds

Summary

Purpose:

This project is for the purchase of a skull clamp to replace the existing clamp that is broken and unrepairable.

Strategic Plan Core Competency Achievement:	
Physician Integration	
Care Coordination	X
Cost Management	
Information Technology	
Service Distribution	X
Financial Position	
Scale	
Managed Care Contracting	
Competitive Position	

Cornerstone:	
Safety	X
Compassion	
Image	
Efficiency	X

Investment Request for Approval **$26,113**

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