Halifax Hospital Medical Center d/b/a Halifax Health

Financial Report
September 30, 2019

Contents

RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Halifax Hospital Medical Center d/b/a Halifax Health ("Halifax Health"), as of and for the year ended September 30, 2019, 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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3–10 and the required supplementary information on pages 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 January 17, 2020, 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.

RSM US LLP

Orlando, Florida
January 17, 2020

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, 2019. This analysis should be read in conjunction with the accompanying basic financial statements.

On May 10, 2019, the governor for the State of Florida signed the bill enacted by The Legislature of the State of Florida to amend chapter 2003-374, Laws of Florida, the enabling act for Halifax Hospital Medical Center (the "District"). The amending Legislation authorizes the District to establish, own, construct, equip, operate, manage, and maintain hospitals and facilities and services within and beyond the boundaries of the District in the counties of Brevard, Flagler, Lake, and Volusia.

The amended legislation also expressly authorizes the District to continue to construct, own, equip, operate, manage, and, maintain all facilities and services in which the District was engaged as of January 1, 2019; it authorizes the District to contract with third-parties to carry out the authorized activities; prohibits the District from expending proceeds from ad valorem taxes and non-ad valorem special assessments outside the boundaries of the District; and authorizes the District to conduct hospice care services throughout 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 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, New Smyrna Beach, 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")
- Medical Center of Deltona, Inc. ("MCD")
- Volusia Health Ventures, Inc. d/b/a Volusia Health Network ("VHN")

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

NET POSITION AND CHANGES IN NET POSITION

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

Condensed Statements of Net Position
(In Thousands)

	2019	2018
Current assets	**$ 469,284**	$ 487,236
Assets whose use is limited, noncurrent	**34,306**	51,108
Capital assets, net	**424,247**	379,971
Other noncurrent assets and deferred outflows	**80,705**	70,902
Total assets and deferred outflows	**$ 1,008,542**	$ 989,217
Current liabilities	**$ 104,778**	$ 102,732
Long-term debt and premium on long-term debt, net	**431,772**	438,237
Noncurrent liabilities and deferred inflows	**139,144**	135,837
Total liabilities and deferred inflows	**675,694**	676,806
Net investment in capital assets	**121,174**	71,661
Restricted net position	**5,671**	5,671
Unrestricted net position	**206,003**	235,079
Total net position	**332,848**	312,411
Total liabilities, deferred inflows and net position	**$ 1,008,542**	$ 989,217

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)

	2019	2018
Operating revenue	**$ 564,698**	$ 549,616
Operating expenses	**(538,751)**	(524,299)
Income from operations	**25,947**	25,317
Nonoperating expenses, net	**(5,510)**	(8,118)
Increase in net position	**$ 20,437**	$ 17,199

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

Total assets and deferred outflows of Halifax Health increased $19.3 million from September 30, 2018. Current assets of Halifax Health decreased $18.0 million from fiscal year 2018 primarily as a result of a decrease in investments of $46.0 million offset by an increase in cash and cash equivalents of $38.4 million and a decrease in net accounts receivable of $9.2 million. Capital assets, net of accumulated depreciation increased $44.3 million from 2018 primarily as a result of capital acquisitions of approximately $65.1 million, offset by depreciation and amortization expense of $26.8 million and disposals of certain equipment. Other noncurrent assets and deferred outflows increased $9.8 million from 2018 primarily due to the increase in the fair value of the interest rate swap of $17.3 million, decreases in deferred outflows related to the pension plan of $6.2 million and a decrease in goodwill of $1.3 million.

Total liabilities and deferred inflows of Halifax Health decreased $1.1 million from September 30, 2018. The fair value of the interest rate swap liability increased by $17 million. Current liabilities increased from fiscal year 2018 primarily as a result of an increase in current payables of $1.4 million due to timing of payments.

Long-term debt, excluding current portion due, decreased approximately $6.5 million from September 30, 2018 primarily as a result of the 2015 and 2016 principal payments made. As of September 30, 2019, 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 increase in noncurrent liabilities and deferred inflows of Halifax Health of $3.4 million from fiscal year 2018 is primarily due to the increase in long-term value of interest rate swap of $17.3 million offset by the decrease in the net pension liability of $10.8 million and other liabilities of $3.2 million.

The net position of Halifax Health at September 30, 2019, was $332.8 million, an increase of $20.4 million from September 30, 2018.

Operating Revenues

The increase in operating revenues of $15.1 million over 2018 at Halifax Health is primarily the result of an increase in admissions, outpatient visits 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, 2019 and 2018 are as follows:

Halifax Health Utilization Statistics

	2019	2018
Medical Center Activity:		
Admissions	**24,243**	23,361
Patient days	**134,063**	130,212
Average daily census	**368**	357
Total outpatient visits	**320,825**	311,101
Observation patient day equivalents	**9,402**	10,084
Hospice Activity:		
Hospice patient days	**212,682**	208,167

Halifax Health's inpatient admissions for 2019 increased by 882 admissions compared to 2018, and patient days for 2019 increased by 3,851 (3.0%) compared to 2018. The increase in patient days led to an increase in the average daily census by 10 patients per day from the prior year. Outpatient visits for 2019 increased by 9,724 compared to 2018 due to increased oncology volume and increased emergency room activity at the Deltona location.

Operating Expenses

Total operating expenses of Halifax Health increased by $14.5 million in fiscal year 2019 compared to fiscal year 2018 primarily due to an increase in salaries and benefits of $9.0 million, an increase in purchased services of $7.4 million and a decrease in supplies expense of $1.2 million.

Halifax Health also incurs expenses related to ad valorem taxes levied. These expenses include payments to Volusia County and the cities of Daytona Beach, Ormond Beach, Holly Hill, South Daytona and Port Orange (tax collector and appraiser commissions, Medicaid matching funds, and redevelopment taxes) and the costs of non-hospital community health services (physician services, community clinics, prescription drugs, medical supplies, etc.). Ad valorem tax-related expenses were substantially the same from 2019 to 2018.

Nonoperating Revenues, Expenses, Gains and Losses

Investment income increased $2.2 million in fiscal year 2019 compared to fiscal year 2018 as a result of the decrease in interest rates and the improved performance of the equity markets. Investment income for the year ended September 30, 2019 includes unrealized losses of approximately $2.4 million.

KEY FINANCIAL INDICATORS

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

Key Financial Indicators

	2019	2018
Total margin	**3.6%**	3.1%
Days cash on hand	**278**	302
Unrestricted cash to long-term debt	**92.9%**	96.5%
Long-term debt to capitalization	**56.8%**	58.8%
Total net patient service revenue, before provision for bad debts (in millions)	**$ 608.9**	$ 603.0

The total margin increased to 3.6% in fiscal year 2019 due to the increase in operating revenues of Halifax Health, offset by increases in operating and nonoperating expenses compared to fiscal year 2018. The number of days cash on hand, which includes unrestricted cash, investments and board designated assets whose use is limited, decreased from 302.0 days at September 30, 2018, to 278 days at September 30, 2019, due primarily to capital expenditures related to the Deltona hospital project.

Total net patient service revenue, before provision for bad debts, increased $6.0 million from 2018 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 $70.0 million in community benefits during fiscal year 2019, 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

	2019	2018
Gross property tax levy	**$ 6,129**	$ 6,048
Tax discounts and uncollectible taxes	**(144)**	(119)
Net property taxes collected	**5,985**	5,929
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	**(212)**	(212)
Volusia County Medicaid matching assessment	**(3,152)**	(2,996)
Redevelopment taxes paid to Cities	**(321)**	(375)
Subtotal	**(3,685)**	(3,583)
Net taxes available for community health, wellness and readiness	**2,300**	2,346
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	**(646)**	(820)
Physician services	**(6,710)**	(8,812)
Trauma services	**(5,629)**	(6,045)
Pediatric and neonatal intensive care services	**(243)**	(467)
Child and adolescent behavioral services	**(823)**	(614)
Subtotal	**(14,051)**	(16,758)
Deficiency of net taxes available to fund hospital operating expenses	**(11,751)**	(14,412)
Uncompensated care provided by Halifax Health, *at cost*		
Halifax Health patients at facilities within the Halifax Health tax district	**(33,031)**	(31,945)
Non Halifax Health taxing district patients and other write-offs	**(22,784)**	(16,282)
Subtotal	**(55,815)**	(48,227)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, *at cost*	**$ (67,566)**	$ (62,639)

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 2019 Halifax Health operating budget.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position
September 30, 2019
(In Thousands)

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	87,234
Investments		290,437
Current assets whose use is limited—Trustee-held self-insurance funds		450
Accounts receivable, patients, net of estimated uncollectibles of $74,436		62,980
Inventories		11,204
Other current assets		16,979
Total current assets		469,284
Noncurrent Assets Whose Use is Limited:		
Board-designated, funded depreciation		25,985
Restricted by donor		5,671
Board-designated, other		2,650
Depreciable Capital Assets, Net		270,407
Nondepreciable Capital Assets		153,840
Other Assets		5,152
Total assets		932,989
Deferred Outflows:		
Interest rate swap		38,347
Pension, contribution after measurement		19,500
Pension, other		1,771
Deferred outflows related to other postemployment benefits		1,300
Loss on refunding of debt, net		14,635
Total deferred outflows		75,553
Total assets and deferred outflows	$	1,008,542

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position (Continued)
September 30, 2019
(In Thousands)

Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$	65,444
Accrued payroll and personal leave time		23,392
Current portion of accrued self-insurance liability		5,085
Current portion of long-term debt		5,795
Other current liabilities		5,062
Total current liabilities		104,778
Noncurrent Liabilities:		
Long-term debt, less current portion		413,850
Premium on long-term debt, net		17,922
Net pension liability		61,899
Other postemployment benefits liability		19,466
Accrued self-insurance liability, less current portion		8,499
Other liabilities		10,268
Long-term value of interest rate swap		38,347
Total liabilities		675,029
Deferred Inflows Related to Pension		331
Deferred Inflows Related to Other Post Employment Benefits		334
Total liabilities and deferred inflows		675,694
Net Position:		
Net investment in capital assets		121,174
Restricted by donors, expendable		5,427
Restricted by donors, nonexpendable		244
Unrestricted		206,003
Total net position		332,848
Total liabilities, deferred inflows and net position	$	1,008,542

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, 2019
(In Thousands)

Operating Revenues:	
Net patient service revenue,	
before provision for bad debts	$ 608,887
Provision for bad debts	(74,666)
Net patient service revenue	534,221
Ad valorem tax revenue	6,129
Other revenue	24,348
Total operating revenues	564,698
Operating Expenses:	
Salaries and benefits	277,127
Supplies	101,242
Purchased services	93,029
Depreciation and amortization	26,835
Ad valorem tax-related expenses	6,320
Leases and rentals	5,879
Other	28,319
Total operating expenses	538,751
Income from operations	25,947
Nonoperating Revenues (Expenses):	
Interest expense	(19,287)
Investment income—net	10,008
Donation revenue	498
Nonoperating gains—net	3,271
Total nonoperating expenses	(5,510)
Increase in net position	20,437
Net Position:	
Beginning net position	312,411
End of year	$ 332,848

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows
Year Ended September 30, 2019
(In Thousands)

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	$ 545,575
Payments to employees	(294,431)
Payments to suppliers	(212,554)
Ad valorem taxes	6,129
Other receipts	44,804
Other payments	(39,239)
Net cash provided by operating activities	50,284
Cash Flows from Noncapital Financing Activities:	
Proceeds from donations received	498
Other nonoperating gains	3,271
Net cash provided by noncapital financing activities	3,769
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(61,683)
Principal paid on long-term debt	(5,520)
Payment of interest on long-term debt	(19,371)
Net cash used in capital and related financing activities	(86,574)
Cash Flows from Investing Activities:	
Realized investment income	12,421
Purchase of investments and assets whose use is limited	(42,217)
Proceeds from sales and maturities of investments and assets whose use is limited	100,780
Net cash provided by investing activities	70,984
Net increase in cash and cash equivalents	38,463
Cash and Cash Equivalents:	
Beginning of year	48,771
End of year	$ 87,234
Supplemental schedule of noncash capital and related financing activities, acquisition of capital assets included in accounts payable and accrued liabilities	$ 8,154
Noncash Investing Activities, unrealized gains on investments and assets whose use is limited, net	$ 605

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows (Continued)
Year Ended September 30, 2019
(In Thousands)

Reconciliation of Income from Operations to Net Cash		
Provided by Operating Activities:		
Income from operations	$	25,947
Adjustments to reconcile income from operations to net cash		
provided by operating activities:		
Depreciation and amortization expense		26,835
Unrealized losses on investments considered operating activity		1,942
Provision for bad debts		74,666
Changes in assets and liabilities:		
Accounts receivable, patients		(65,451)
Inventories and other current assets		1,084
Other assets		6,260
Accounts payable and accrued liabilities		(4,810)
Other liabilities		(16,189)
Net cash provided by operating activities	$	50,284

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Fiduciary Net Position
September 30, 2019
(In Thousands)

Assets:		
Investments, at fair value:		
Money market funds	$	677
U.S. treasury notes and bonds		100,856
Mutual funds		173,073
Accrued income		596
Net position restricted for pension benefits	$	275,202

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, 2019
(In Thousands)

Additions:		
Investment results:		
Depreciation in fair value of investments	$	(9,329)
Interest and dividends		5,360
Net investment results		(3,969)
Employer contributions		19,500
Total additions		15,531
Deductions:		
Administrative expenses		68
Benefits paid directly to participants		20,359
Total deductions		20,427
Decrease in net position restricted for pension benefits		(4,896)
Net Position Restricted for Pension Benefits:		
Beginning of year		280,098
End of year	$	275,202

See Notes to Financial Statements.

Note 1. Description of the Organization

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

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

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

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

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

Note 1. Description of the Organization (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Net Position
September 30, 2019
(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	$ 252,922	$ 84,112	$ -	$ -	$ 239	$ 11,117	$ 81,087	$ 15	$ 40,161	$ 4,497	$ (4,866)	$ 469,284
Noncurrent Assets Whose Use is Limited	25,985	-	-	-	-	-	2,650	-	5,671	-	-	34,306
Capital Assets, net	274,650	21,626	-	-	146	13	17,354	2	-	110,456	-	424,247
Other Assets and Deferred Outflows	74,599	86,815	-	-	-	5,019	4,677	-	-	-	(90,405)	80,705
Total assets and deferred outflows	$ 628,156	$ 192,553	$ -	$ -	$ 385	$ 16,149	$ 105,768	$ 17	$ 45,832	$ 114,953	$ (95,271)	$ 1,008,542
Liabilities, Deferred Inflows and Net Position												
Current Liabilities	$ 90,397	$ 436	$ -	$ -	$ 2,966	$ 345	$ 2,206	$ 80	$ 112	$ 13,100	$ (4,864)	$ 104,778
Long-Term Debt, less current portion	413,850	-	-	-	-	-	-	-	-	82,815	(82,815)	413,850
Other Liabilities and Deferred Inflows	158,272	-	-	-	-	-	3,720	677	1,989	-	(7,592)	157,066
Total liabilities and deferred inflows	662,519	436	-	-	2,966	345	5,926	757	2,101	95,915	(95,271)	675,694
Net Position:												
Net investment in capital assets	(28,423)	21,626	-	-	146	13	17,354	2	-	110,456	-	121,174
Restricted by donors, expendable	-	-	-	-	-	-	-	-	5,427	-	-	5,427
Restricted by donors, nonexpendable	-	-	-	-	-	-	-	-	244	-	-	244
Unrestricted	(5,940)	170,491	-	-	(2,727)	15,791	82,488	(742)	38,060	(91,418)	-	206,003
Total net position	(34,363)	192,117	-	-	(2,581)	15,804	99,842	(740)	43,731	19,038	-	332,848
Total liabilities, deferred inflows and net position	$ 628,156	$ 192,553	$ -	$ -	$ 385	$ 16,149	$ 105,768	$ 17	$ 45,832	$ 114,953	$ (95,271)	$ 1,008,542

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2019
(In Thousands)

		Blended Component Units										
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	HMS	Intercompany Eliminations	Halifax Health
Operating Revenues	$ 506,315	$ 1,694	$ -	$ -	$ 3,690	$ 3,175	$ 47,339	$ 1,251	$ 1,295	$ 3,139	$ (3,200)	$ 564,698
Operating Expenses, before depreciation and amortization	203,130	266	233,345	25,145	4,044	3,154	44,194	1,083	693	62	(3,200)	511,916
Depreciation and Amortization	24,408	756	-	-	52	18	775	-	-	826	-	26,835
Total operating expenses	227,538	1,022	233,345	25,145	4,096	3,172	44,969	1,083	693	888	(3,200)	538,751
Income (loss) from operations	278,777	672	(233,345)	(25,145)	(406)	3	2,370	168	602	2,251	-	25,947
Nonoperating Revenues (Expenses)	(270,506)	5,482	233,345	25,145	-	-	1,087	-	-	(63)	-	(5,510)
Increase (decrease) in net position	$ 8,271	$ 6,154	$ -	$ -	$ (406)	$ 3	$ 3,457	$ 168	$ 602	$ 2,188	$ -	$ 20,437

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, 2019
(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	$ 300,662	$ 1,115	$ (233,344)	$ (25,145)	$ (267)	$ 3,890	$ 2,584	$ 206	$ 2,493	$ (1,910)	$ 3,373	$ -	$ 50,284
Noncapital Financing Activities	(253,654)	(56,999)	233,344	25,145	267	(577)	315	(206)	-	56,134	56,243	-	3,769
Capital and Related Financing Activities	(34,203)	(1,004)	-	-	-	-	(113)	-	-	(51,254)	(51,367)	-	(86,574)
Investing Activities	18,134	56,439	-	-	-	-	(1,504)	-	(2,085)	-	(3,589)	-	70,984
Net increase (decrease) in cash and cash equivalents	30,939	(449)	-	-	-	3,313	1,282	-	408	2,970	4,660	-	38,463
Cash and Cash Equivalents:													
Beginning of year	34,165	709	-	-	-	6,725	4,415	-	1,579	1,178	7,172	-	48,771
End of year	$ 65,104	$ 260	$ -	$ -	$ -	$ 10,038	$ 5,697	$ -	$ 1,987	$ 4,148	$ 11,832	$ -	$ 87,234

Note 1. Description of the Organization (Continued)

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

Note 2. Significant Accounting Policies

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

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

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

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

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

Assets Whose Use is Limited: Assets whose use is limited includes assets held for self-insurance funds, 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.

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

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

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

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

Personal Leave Time: Personal leave time, which includes holiday, sick, and vacation time, that is accrued but not used at September 30, 2019, is included in accrued payroll and personal leave time in the accompanying statement of net position.

Note 2. Significant Accounting Policies (Continued)

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

Self-Insurance: Halifax Health is self-insured for various risks of loss, including professional and general liability losses, workers' compensation claims, and employees' health claims. Estimated liabilities include known claims and claims that have been incurred but not reported. The noncurrent portion of estimated professional and general liability losses and workers' compensation claims have been discounted using a 4% interest rate for 2019. 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, 2019.

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

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

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

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

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

Note 2. Significant Accounting Policies (Continued)

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

Ad valorem taxes received by the Medical Center are based on the assessed valuation of certain taxable real and personal property at the Board-approved millage rate for the year. Gross receipts of $6.1 million are included in operating revenues in the accompanying statement of revenues, expenses, and changes in net position. Certain expenses directly attributable to the Medical Center's status as a taxing authority are classified as ad valorem tax-related expenses. These expenses, when added to the charity care and other uncompensated care provided to qualifying patients, exceed ad valorem taxes received and are considered by the Board when determining the tax levy.

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

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

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

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others when services are rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Approximately $10.5 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, 2019. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. There were no significant adjustments to revenue related to prior periods during the year ended September 30, 2019.

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 $44.9 million for the year ended September 30, 2019. 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, 2019, as follows (in thousands):

Gross patient charges	$ 2,107,594
Charity adjustments	(169,568)
Contractual adjustments	(1,329,139)
Net patient service revenue before provision for bad debts	608,887
Provision for bad debts	(74,666)
Net patient service revenue	$ 534,221

Pending Accounting Pronouncements: In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This standard is effective for fiscal years beginning after December 15, 2018. Halifax Health is evaluating the impact of this on its financial statements.

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

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

Note 3. Investments and Assets Whose Use is Limited

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

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

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

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

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

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

The composition and fair value classification of investments and assets whose use is limited of Halifax Health at September 30, 2019, is set forth in the following table:

		Assets Whose Use is Limited and Restricted Assets					
	Investments	**Trustee-Held Self-Insurance Funds**	**Board-Designated Funded Depreciation**	**Trustee-Held Funds for Capital Projects**	**Restricted by Donor**	**Board Designated Other**	**Total**
				(In Thousands)			
Level 1							
Money market funds	$ 11,099	$ 450	$ 2,105	$ -	$ -	$ -	$ 13,654
Mutual funds:							
DFA Emerging Markets Value Portfolio	2,088	-	-	-	399	95	2,582
DFA International Value Portfolio	2,580	-	-	-	887	227	3,694
DFA Small Cap Value Portfolio	7,088	-	-	-	1,856	430	9,374
DFA U.S. Large Cap Value Portfolio	18,785	-	-	-	2,284	868	21,937
Vanguard Energy Fund Admiral Shares	-	-	-	-	-	52	52
Vanguard Energy Fund	1,999	-	-		-	-	1,999
Vanguard Health Care Fund	1,491	-	-	-	-	60	1,551
Vanguard Large Cap Growth Index Fund	10,569	-	-	-	-	-	10,569
Vanguard Short-Term Investment Grade Inst Fund	37,866	-	-	-	-	918	38,784
Vanguard Small Cap Growth Index Fund	11,955	-	-	-	-	-	11,955
U.S. Treasury obligations	158,184	-	8,088	-	-	-	166,272
Total Level 1	263,704	450	10,193	-	5,426	2,650	282,423
Level 2							
U.S. Government-sponsored enterprises:							
Federal National Mortgage Association	1,491	-	7,587	-	-	-	9,078
Federal Home Loan Bank	371	-	4,025	-	-	-	4,396
Federal Home Loan Mortgage Corporation	2,356	-	4,111	-	-	-	6,467
Corporate bonds	20,107	-	-	-	-	-	20,107
Other	2,408	-	69	-	245	-	2,722
Total Level 2	26,733	-	15,792	-	245	-	42,770
Total	$ 290,437	$ 450	$ 25,985	$ -	$ 5,671	$ 2,650	$ 325,193

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, 2019. The composition of investments in the Halifax Pension Plan at September 30, 2019, is set forth in the following table (in thousands):

Money market funds	$	677
U.S. Government Securities,		
U.S. Treasury Notes and Bonds		100,856
Mutual funds:		
DFA Emerging Markets Value Portfolio		7,985
DFA International Value Portfolio		40,007
DFA Small Cap Value Portfolio		28,847
DFA U.S. Large Cap Value Portfolio		29,960
Vanguard Energy Fund Admiral Shares		10,655
Vanguard Health Care Fund		11,250
Vanguard Large Cap Growth Index Fund		17,801
Vanguard Short-Term Investment Grade Inst Fund		8,492
Vanguard Small Cap Growth Index Fund		18,076
Other		596
Total	$	275,202

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, 2019, 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 2.2 years as of September 30, 2019.

- 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 2.4 years as of September 30, 2019.

At September 30, 2019, 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, 2019, was $10 million and includes unrealized losses of $2.4 million. Investment income of the Foundation includes unrealized losses of approximately $1.9 million and is included in other operating revenue.

Note 4. Deposits and Investment Risk

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

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

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

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

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

Note 4. Deposits and Investment Risk (Continued)

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

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, Halifax Health and the Halifax Pension Plan will not be able to recover its deposits. At September 30, 2019, 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, 2019, Halifax Health has an investment in debt securities with Federal Home Loan Bank totaling approximately $9 million, representing 2.79% of total investments. At September 30, 2019, 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, 2019, the Halifax Pension Plan did not have investments in debt securities in any one issuer that represents 5% or more of the Halifax Pension Plan's fiduciary net position except for the U.S. Treasury Note that comprises of 36.6%. 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, 2019, Halifax Health had investments, assets whose use is limited and restricted assets maturing as follows:

	Fair Value	No Maturity Date or Less than 1 Year	1 – 5 Years	6 – 10 Years
	(In Thousands)			
Money market funds	$ 13,654	$ 13,654	$ -	$ -
Mutual funds	102,497	102,497	-	-
U.S. Government securities	166,272	164,180	2,092	-
U.S. Government-sponsored enterprises	19,941	9,339	9,590	1,012
Corporate bonds	20,107	6,146	13,451	510
Other	2,722	2,722	-	-
Total	$ 325,193	$ 298,538	$ 25,133	$ 1,522

At September 30, 2019, 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, 2019. Interest related to the Deltona hospital project was capitalized during the year ended September 30, 2019 of approximately $1.5 million. A summary of the activities for the year ended September 30, 2019, is presented below:

	Balance at September 30, 2018	Increases/ Transfers	Decreases/ Transfers	Balance at September 30, 2019
Capital Assets—at cost:				
Land	$ 50,431	$ 60	$ -	$ 50,491
Land improvements	6,359	49	-	6,408
Buildings	407,066	3,069	84	410,051
Fixed equipment	31,713	484	293	31,904
Major moveable equipment	91,989	1,941	4,737	89,193
Computers and software	27,979	4,109	3,442	28,646
Projects in progress	42,219	64,791	3,662	103,349
Total capital assets—at cost	657,756	74,503	12,218	720,042
Accumulated Depreciation:				
Land improvements	3,720	237	-	3,957
Buildings	170,556	13,132	92	183,596
Fixed equipment	18,354	3,506	275	21,585
Major moveable equipment	67,390	5,540	4,737	68,193
Computers and software	17,765	4,009	3,311	18,464
Total accumulated depreciation	277,785	26,424	8,415	295,795
Capital assets—net	$ 379,971	$ 48,079	$ 3,803	$ 424,247

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 43 acute care beds, including development, building and equipment costs, is $108 million. Total cost incurred through September 30, 2019 is $83.3 million. Long-term financing for the project was obtained on December 18, 2019 (see Note 14).

Note 6. Self-Insurance and Insurance

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

Note 6. Self-Insurance and Insurance (Continued)

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

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

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

Changes in the accrued self-insurance liabilities for the years ended September 30, 2019 and 2018 are as follows:

	Balance at September 30, 2018	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2019
Employee health	$ 1,525	$ 7,103	$ (7,303)	$ 1,325
Professional liability	9,121	1,166	(645)	9,642
Workers' compensation	2,325	2,027	(1,735)	2,617
Total	$ 12,971	$ 10,296	$ (9,683)	$ 13,584

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

Note 6. Self-Insurance and Insurance (Continued)

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

Note 7. Long-Term Debt

Long-term debt at September 30, 2019, consists of the following:

	Current Portion of Long-Term Debt	Long-Term Debt	Premium
		(In Thousands)	
Bonds payable:			
Series 2008	$ -	$ 70,000	$ -
Series 2015	4,570	98,940	9,147
Series 2016	1,225	159,910	8,775
Series 2018	-	85,000	-
Total bonds payable	$ 5,795	$ 413,850	$ 17,922

Bonds Payable: Halifax Health has outstanding $437.6 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; $98.9 million of tax-exempt, fixed rate bonds ("Series 2015"), $159.9 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.

The Series 2018 bonds are subject to a variable interest rate which is the 30 day LIBOR plus 120 basis points, and are subject to redemption at any time on or after December 1, 2018, and prior to maturity, at the option of the Medical Center. If the redemption occurs after June 1, 2019, the Series 2018 bonds can be redeemed at the principal amount outstanding, plus accrued interest.

The Series 2015 bonds and Series 2016 bonds have maturities extending through 2046. Interest rates range from 3.0% to 5.0%.

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

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, 2019. 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 2019, with interest rates ranging from 1.25% to 2.30%. The term of the letter of credit expires November 5, 2024. The letter of credit is secured by an interest in any bonds purchased with draws on the letter of credit and amounts payable under the MTI. The Medical Center did not draw on the letter of credit during 2019. In the event that the Series 2008 bonds are unable to be remarketed, the Medical Center would be required to draw on the letter of credit. Repayments of principal and interest would begin 367 days after the date of the draw (and no draw may be made on the letter of credit without seven days written notice). Repayments will be made in 12 equal quarterly installments of principal plus interest. Therefore, the final quarterly installment to be made under the provisions of the letter of credit would occur on July 10, 2023. 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, 2019. 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	4.00%–5.00%	June 1, 2046
			4.00	June 1, 2038			
			4.00	June 1, 2041			
			5.00	June 1, 2046			
Series 2016	March 28, 2016	$ 48,430	5.00	June 1, 2030	$ 117,060	3.38%–5.00%	June 1, 2046
			3.38	June 1, 2031			
			5.00	June 1, 2036			
			3.75	June 1, 2041			
			4.00	June 1, 2046			

Variable-Rate Bonds

Series	Date Issued	Original Issue Amount	Interest Rate at September 30, 2019	Maturity Date	Interest Rate Period
Series 2008	September 18, 2008	$ 70,000	1.38% *	June 1, 2048	7 days
Series 2018A	June 1, 2018	85,000	3.30%	October 31, 2030	30 days

* This rate is the remarketed interest rate in effect as of September 30, 2019. 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, 2020 through 2024 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, 2019. The interest rate used to calculate interest on the Series 2018 bonds was the 30-day LIBOR plus 120 basis points in effect at September 30, 2019. The table below excludes interest amounts related to the swap (see Note 8).

	Series 2008		Series 2015		Series 2016		Series 2018		Total Debt Secured by Obligated Group		Total Halifax Health	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ 1,155	$ 4,570	$ 4,952	$ 1,225	$ 7,094	$ -	$ 2,790	$ 5,795	$ 15,991	$ 5,795	$ 15,991
2021	-	1,155	4,785	4,723	1,305	7,032	-	2,790	6,090	15,700	6,090	15,700
2022	-	1,155	5,025	4,484	1,365	6,967	-	2,790	6,390	15,396	6,390	15,396
2023	-	1,155	5,285	4,233	1,425	6,899	-	2,790	6,710	15,077	6,710	15,077
2024	-	1,155	5,555	3,969	1,490	6,828	-	2,790	7,045	14,742	7,045	14,742
2025-2029	-	5,775	18,205	16,109	22,645	32,262	-	13,950	40,850	68,096	40,850	68,096
2030-2034	-	5,775	12,645	12,800	39,035	24,739	85,000	2,790	136,680	46,104	136,680	46,104
2035-2039	4,435	5,702	15,970	9,500	44,730	14,626	-	-	65,135	29,828	65,135	29,828
2040-2044	25,185	4,193	22,000	5,714	32,260	7,007	-	-	79,445	16,914	79,445	16,914
2045-2048	40,380	1,292	9,470	716	15,655	946	-	-	65,505	2,954	65,505	2,954
Total	$ 70,000	$ 28,512	$ 103,510	$ 67,200	$ 161,135	$ 114,400	$ 85,000	$ 30,690	$ 419,645	$ 240,802	$ 419,645	$ 240,802

Note 7. Long-Term Debt (Continued)

Long-Term Notes Payable and Other Indebtedness:

Long-term debt activity for the year ended September 30, 2019, consisted of the following:

	Balance at September 30, 2018	Additions (Reductions) Net of Amortization of Original Issue Premium	Balance at September 30, 2019
Series 2008	$ 70,000	$ -	$ 70,000
Series 2015	117,346	(4,689)	112,657
Series 2016	171,411	(1,501)	169,910
Series 2018	85,000	-	85,000
Total	$ 443,757	$ (6,190)	$ 437,567

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, 2019, the Medical Center made approximately $2.7 million in payments under the Swap agreement to the counterparty and received approximately $1.1 million in payments under the Swap agreement from the counterparty. The payments made and received under the Swap agreement are included in interest expense on the accompanying statement of revenues, expenses and changes in net position.

In accordance with GASB Cod. Sec. D40, the Medical Center applies hedge accounting for its Swap. At September 30, 2019, the fair value of the Swap liability of approximately $38.3 million was included in other long-term liabilities, with the current-year change in fair value of approximately $17 million recorded as a decrease in deferred outflows in noncurrent assets. The fair value of the Swap was approximately $38.3 million at September 30, 2019, 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, 2019, the interest rate on the hedged variable-rate debt is 1.46% and 67% of LIBOR is 1.38%.

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, 2019 (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, 2019. 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
2020	$ -	$ 1,155	$ 1,723	$ 2,878
2021	-	1,155	1,723	2,878
2022	-	1,155	1,723	2,878
2023	-	1,155	1,723	2,878
2024	-	1,155	1,723	2,878
2025 – 2029	-	5,775	8,618	14,393
2030 – 2034	-	5,775	8,618	14,393
2035 – 2039	4,435	5,702	8,510	14,212
2040 – 2044	25,185	4,193	6,257	10,450
2045 – 2048	40,380	1,292	1,929	3,221
Total	$ 70,000	$ 28,512	$ 42,547	$ 71,059

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, 2017, the valuation date, the Plan included 449 active employees, 525 terminated but vested participants, and 1004 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 $19.5 million to the Plan in fiscal year 2019. In accordance with GASB Statement No. 68, that amount is recorded on the statement of net position as a deferred outflow at September 30, 2019. Staffing's proportionate share of the contribution, expense and net pension liability is 95.32% and Hospice's proportionate share is 4.68% for fiscal year 2019. 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 MP2018
Interest rate	6.75% annually, compounded
Pay increase	N/A
Cost of living adjustment	3%
Measurement date	September 30, 2018
Valuation date	October 1, 2017
Allocation of Plan assets	40-70% Equities 30-60% Fixed income
Real rate of return	Overall - 7.20%, arithmetic mean Equities - 10.96% Fixed income - 0.41%
Experience study date	October 1, 2018

The discount rate used in measuring the total pension liability was 6.75% for fiscal year 2019. 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, 2019 using a discount rate of 5.75% would have been $98.2 million, and using a discount rate of 7.75% would have been $30.8 million.

Note 9. Pension Plan (Continued)

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

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

Note 9. Pension Plan (Continued)

The net pension liability at September 30, 2019 using a discount rate of 6.75% was $61.9 million. Since the last measurement date, September 30, 2017, 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, 2018	$ 19,876	$ 159	$ 2,287	$ (1,979)	$ (335,391)	$ 266,359	$ (69,032)	N/A
Service cost	-	-	-	-	(3,311)	-	(3,311)	$ 3,311
Interest cost	-	-	-	-	(22,154)	-	(22,154)	22,154
Difference in expected and actual experience	-	3,325	2,965	-	(2,965)	(3,325)	(6,290)	-
Changes of assumptions	-	-	-	(475)	475	-	475	-
Projected investment income	-	-	-	-	-	18,608	18,608	(18,608)
Benefit payments	-	-	-	-	21,349	(21,349)	-	-
Expenses	-	-	-	-	-	(71)	(71)	71
Contributions recognized in Plan Fiduciary Net Position	(19,876)	-	-	-	-	19,876	19,876	-
Contributions made after measurement date	19,500	-	-	-	-	-	-	-
Amortization of deferred outflows and inflows	-	(3,246)	(3,719)	2,123	-	-	-	4,842
Balance at September 30, 2019	$ 19,500	$ 238	$ 1,533	$ (331)	$ (341,997)	$ 280,098	$ (61,899)	$ 11,770

Proportionate share of the above balances as of September 30, 2019:

Medical Center	$ 18,587	$ 227	$ 1,461	$ (315)	$ (325,992)	$ 266,989	$ (59,003)	$ 11,219
Hospice	913	11	72	(16)	(16,005)	13,109	(2,896)	551
	$ 19,500	$ 238	$ 1,533	$ (331)	$ (341,997)	$ 280,098	$ (61,899)	$ 11,770

Note 9. Pension Plan (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2019, 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, 2019	$ 19,500	$ 238	$ 1,533	$ (331)	$ -
2020	(19,500)	(2,869)	(1,533)	331	4,071
2021	-	2,217	-	-	(2,217)
2022	-	1,079	-	-	(1,079)
2023	-	(665)	-	-	665
	$ -	$ -	$ -	$ -	$ 1,440

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, 2019, was approximately $9.1 million and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position. Participants contributed approximately $4.6 million to the Contribution Plan for the year ended September 30, 2019.

Note 10. Other Postemployment Benefits

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

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

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

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

Note 10. Other Postemployment Benefits (Continued)

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

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

Employees Covered by Benefit Terms: The following employees were covered by the benefit terms, as of October 1, 2017, which is the most recent actuarial valuation date:

	Retiree HRA Plan	Retiree Medical Plan
Active employees not fully eligible for benefits	369	315
Inactive employees currently receiving benefits	1,272	69
Active employees fully eligible for benefits	79	133
	1,720	517

Actuarial Methods and Assumptions: The total Retiree HRA Plan and Retiree Medical Plan's liabilities in the September 30, 2019 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, 2019	September 30, 2019
Measurement date	September 30, 2018	September 30, 2018
Actuarial valuation date	October 1, 2017	October 1, 2017
Discount rate	3.83%	3.83%
Rate of compensation increase	3.00%	3.00%
Health care cost trend rates	N/A	**
Inflation rate	2.25%	2.25%
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Straight-Line	Straight-Line
Amortization period	1.823 Years	1.835 Years
Method used to determine actuarial value of assets	N/A	N/A

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

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

The actuarial assumptions used in the September 30, 2019 report were based on the results of an actuarial experience study for the period ending October 1, 2018. These actuarial assumptions are based on the presumption that the Retiree HRA Plan and the Retiree Medical Plan will continue. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Note 10. Other Postemployment Benefits (Continued)

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

	Retiree HRA Plan	Retiree Medical Plan
	(In Thousands)	
Balance as of October 1, 2018	$ 17,833	$ 2,790
Changes for the year:		
Service cost	197	3
Interest	617	89
Change of benefit terms	-	-
Differences between expected and actual experience	43	-
Changes of assumptions or other inputs	(1,255)	(58)
Benefit payments	(274)	(519)
Net changes	(672)	(485)
Balance as of September 30, 2019	$ 17,161	$ 2,305

Changes of assumptions or other inputs reflect a change in the discount rate from 3.5% as of October 1, 2018 to 3.8% as of September 30, 2019.

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 (2.83%) or 1-percentage-point higher (4.83%) than the current discount rate:

	1% Decrease 2.83%	Discount Rate 3.83%	1% Increase 4.83%
		(In Thousands)	
Total Retiree HRA Plan liability	$ 19,115	$ 17,161	$ 15,492
Total Retiree Medical Plan liability	2,393	2,305	2,222

Note 10. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the year ended September 30, 2019 Halifax Health recognized a Retiree HRA Plan expense credit in the amount of $398,000 and an expense in the Retiree Medical Plan expense of $509,000. At September 30, 2019, Halifax reported deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan from the following sources:

	Retiree HRA Plan		Retiree Medical Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In Thousands)			
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions or other inputs	-	(307,251)	-	(26,525)
Employer contributions subsequent to the measurement date	845,773	-	453,728	-
	$ 845,773	$ (307,251)	$ 453,728	$ (26,525)

Employer contributions subsequent to the measurement date of October 1, 2017 of approximately $846,000 for the Retiree HRA Plan and approximately $454,000 for the Retiree Medical Plan, which are reported as deferred outflows of resources as of September 30, 2019, will be recognized as a reduction of the OPEB liability in Halifax Health's year ending September 30, 2020. Other amounts reported as the deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan will be recognized in OPEB expense future service to retirement of plan participants as follows:

	Retiree HRA Plan	Retiree Medical Plan
	(In Thousands)	
Year ending September 30:		
2020	$ (307)	$ (27)

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,		
2020	$	6,826
2021		6,022
2022		5,541
2023		3,902
2024		1,614
2025 – 2029		10,146
Total minimum lease payments required	$	34,051

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

Note 12. Concentrations of Credit Risk

The Medical Center and Hospice grant credit without collateral to its patients, most of who are local residents that are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at September 30, 2019, was as follows:

Medicare	19%
Medicaid	12
Other third-party payors	65
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, 2019, EVHS received distributions of $3.3 million from ECFOI and recognized its proportionate share of ECFOI's net income or loss by adjusting its equity interest balance. At September 30, 2019, EVHS had $726,000 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, 2019, EVHS received distributions of $2.6 million from HB, and at September 30, 2019, EVHS had $3.7 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.

Note 14. Subsequent Events

Deltona Hospital Financing and Management

On December 18, 2019, HMS, as the Borrower, entered into financing agreements with the County of Volusia, Florida, as Issuer, for the issuance of County of Volusia, Florida Hospital Revenue Bonds (Medical Center of Deltona Project) in the aggregate principal amount of $123,055,000 (2019 Bonds) to finance the acquisition, construction and equipping of a 43-bed general hospital located in the City of Deltona, Florida, including reimbursing HMS for costs previously incurred. Construction of the Medical Center of Deltona is expected to be completed and operational in February 2020. HMS will lease the hospital facility to Medical Center of Deltona, Inc. (MCD), a not-for-profit corporation whose sole member is the District. The application has been submitted, and it is expected that MCD will become qualified as an organization described in section 501(c)(3) of the Internal Revenue Code. The Medical Center of Deltona is constructed on land leased by HMS from Holdings. The 2019 Bonds are secured by a mortgage on the assets and pledges of rents and income derived from the facility. MCD will also lease the assets of the free-standing emergency department from the District and will operate these assets as a component of the Medical Center of Deltona. The 2019 Bonds were issued at par value (the Initial Price) with a 5.25% interest rate coupon and may be redeemed at the option of the Borrower in whole or in part beginning on December 15, 2020, at 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

On December 18, 2019, MCD entered into a Master Securities Loan Agreement (MSLA) with JP Morgan Chase Bank, N.A. (JPMC). MCD and JPMC are the only parties to the MSLA. Under the terms and conditions of the MSLA, JPMC is obligated to make payments to MCD equal to the actual interest paid on the 2019 Bonds in exchange for payments from MCD based upon the outstanding par amount of the 2019 Bonds and a variable index rate (regularly scheduled payments). The MSLA has a scheduled termination date of December 18, 2026. Upon the occurrence of certain events, both MCD and JPMC maintain early termination rights. Additionally, MCD maintains the right to optionally terminate the MSLA at any point in time after December 18, 2020. Upon any scheduled, unscheduled, or optional termination, MCD will be obligated to make a settlement payment to JPMC if the fair value of the 2019 Bonds as of the termination date is less than the Initial Price, in addition to any regularly scheduled payments due. No settlement payment is due if the Series 2019 Bonds are redeemed, converted or refunded and JPMC receives the redemption prices of the Series 2019 Bonds (redemption price will reflect the optional redemption price of 100% of par beginning on December 15, 2020).

On December 17, 2019, MCD entered into a Management Services, Governance, and Contribution Agreement (Agreement) with the District, HMS, and Hospice, as well as Shands Teaching Hospital and Clinics, Inc. (Shands). Under the Agreement, the District and Shands will: (i) provide management services to operate the Medical Center of Deltona, (ii) provide equal capital funding contributions, and (iii) equally receive MCD profits and distributions. Additionally, under the Agreement, Shands, HMS, and Hospice agreed to individually provide (and have provided) joint and several liability guarantees for the obligations under the MSLA.

Under the financing agreements between HMS and the County of Volusia, Florida, MCD may assume all obligation for the 2019 Bonds (becoming the Borrower) upon fulfilling certain covenants and provisions including acquisition of fee title by MCD of certain real property associated with MCD. It is anticipated that the assumption of the obligation for the 2019 Bonds will occur upon MCD receiving 501(c)(3) status. The MSLA guarantees provided by Shands, HMS, and Hospice will continue even with the assumption of the 2019 Bonds by MCD. Upon MCD receiving 501(c)(3) status, Shands will appoint 50% of the Board of Directors of MCD, and until then, will participate equally on a Management Committee.

Required Supplementary Information

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

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

	Total Pension Liability, (a)	Plan Fiduciary Net Pension, (b)	Net Pension Liability, (a) - (b)
Balance, September 30, 2014	$ 311,814	$ 207,198	$ 104,616
Service cost	2,776	-	2,776
Interest	20,547	-	20,547
Difference between expected and actual experience and assumption changes	(2,241)	-	(2,241)
Contributions - employer	-	20,000	(20,000)
Net investment income	-	12,954	(12,954)
Benefit payments	(15,077)	(15,077)	-
Plan administrative expenses	-	(59)	59
Balance, September 30, 2015	317,819	225,016	92,803
Service cost	4,282	-	4,282
Interest	20,943	-	20,943
Difference between expected and actual experience and assumption changes	(4,845)	-	(4,845)
Contributions - employer	-	15,218	(15,218)
Net investment income	-	(9,853)	9,853
Benefit payments	(15,355)	(15,355)	-
Plan administrative expenses	-	(115)	115
Balance, September 30, 2016	322,844	214,911	107,933
Service cost	4,441	-	4,441
Interest	21,234	-	21,234
Difference between expected and actual experience and assumption changes	(2,804)	-	(2,804)
Contributions - employer	-	21,236	(21,236)
Net investment income	-	20,892	(20,892)
Benefit payments	(16,818)	(16,818)	-
Plan administrative expenses	-	(77)	77
Balance, September 30, 2017	328,897	240,144	88,753
Service cost	3,770	-	3,770
Interest	21,776	-	21,776
Difference between expected and actual experience and assumption changes	1,387	-	1,387
Contributions - employer	-	21,060	(21,060)
Net investment income	-	25,668	(25,668)
Benefit payments	(20,439)	(20,439)	-
Plan administrative expenses	-	(74)	74
Balance, September 30, 2018	335,391	266,359	69,032
Service cost	3,311	-	3,311
Interest	22,154	-	22,154
Difference between expected and actual experience and assumption changes	2,490	-	2,490
Contributions - employer	-	19,876	(19,876)
Net investment income	-	15,283	(15,283)
Benefit payments	(21,349)	(21,349)	-
Plan administrative expenses	-	(71)	71
Balance, September 30, 2019	$ 341,997	$ 280,098	$ 61,899

Source: BPAS Actuarial and Pension Services.

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

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

Actuarial Valuation Date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Medical Center Proportionate Share (a-b) * 95.32%	Hospice Proportionate Share (a-b) * 4.68%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll
October 1, 2017	$ 341,997	$ 280,098	$ 61,899	$ 59,000	$ 2,899	$ 32,092	82%	193%
October 1, 2016	335,391	266,359	69,032	65,145	3,887	33,515	79	206
October 1, 2015	328,897	240,144	88,753	83,756	4,997	38,361	73	231
October 1, 2014	322,844	214,911	107,933	101,856	6,077	42,387	67	255
October 1, 2013	317,819	225,016	92,803	87,578	5,225	43,613	71	213
October 1, 2012	311,814	207,198	104,616	98,726	5,890	46,960	66	223

Source: BPAS Actuarial and Pension Services.

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

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

Actuarial Valuation Date	Actuarially Determined Contributions (a)	Contributions Recognized During the year (b)	Difference of Actuarially Determined and Recognized Contributions (a-b)	% Contributions Recognized to Contributions Actuarially Determined (b/a)	Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
October 1, 2017	$ 19,500	$ 19,876	$ (376)	102%	$ 32,092	62%
October 1, 2016	19,876	21,060	(1,184)	106	33,515	63
October 1, 2015	21,060	21,236	(176)	101	38,361	55
October 1, 2014	21,236	15,218	6,018	72	42,387	36
October 1, 2013	15,218	20,000	(4,782)	131	43,613	46
October 1, 2012	17,278	12,688	4,590	73	46,960	27

Source: BPAS Actuarial and Pension Services.

Note 1. Key Assumptions

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

Valuation date	October 1, 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 (sex-distinct), Scale MP-2018
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, 2017, the Plan updated its assumptions regarding mortality tables. This change in Plan assumption resulted in a decrease in the pension liability of approximately $475,000 at September 30, 2019.

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

Halifax Hospital Medical Center
d/b/a Halifax Health

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

	2019	2018
Total Retiree HRA Plan liability		
Service cost	$ 197	$ 173
Interest	617	601
Changes of benefit terms	-	(559)
Differences between expected and actual experience	43	96
Changes of assumptions or other inputs	(1,255)	(1,949)
Benefit payments	(274)	(750)
Net change in total Retiree HRA Plan liability	(672)	(2,388)
Total Retiree HRA Plan liability—beginning	17,833	20,221
Total Retiree HRA Plan liability—ending	$ 17,161	$ 17,833
Covered-employee payroll	$ 32,092	$ 33,468
Total Retiree HRA Plan liability as a percentage of covered-employee payroll	53.48%	53.28%

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017 to 3.5% as of September 30, 2018 to 3.8% as of September 30, 2019.

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

Halifax Hospital Medical Center
d/b/a Halifax Health

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

	2019	2018
Total Retiree Medical Plan liability		
Service cost	**$ 3**	$ 170
Interest	**89**	205
Changes of benefit terms	**-**	(5,085)
Differences between expected and actual experience	**-**	1,510
Changes of assumptions or other inputs	**(58)**	(530)
Benefit payments	**(519)**	(320)
Net change in total Retiree Medical Plan liability	**(485)**	(4,050)
Total Retiree Medical Plan liability—beginning	**2,790**	6,840
Total Retiree Medical Plan liability—ending	**$ 2,305**	$ 2,790
Covered-employee payroll	**$ 32,092**	$ 33,468
Total Retiree Medical Plan liability as a percentage of covered-employee payroll	**7.18%**	8.34%

Changes of assumptions or other inputs reflect a change in the discount rate from 3.0% as of October 1, 2017, to 3.5% as of September 30, 2018, to 3.8% as of September 30, 2019.

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

Other Supplementary Information

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group
September 30, 2019
(In Thousands)

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	75,404
Investments		178,832
Current assets whose use is limited:		
Trustee-held self-insurance funds		450
Accounts receivable, patients, net of estimated uncollectibles of $74,053		61,281
Inventories		11,102
Other current assets		17,450
Total current assets		344,519
Noncurrent Assets Whose Use is Limited:		
Board-designated funded depreciation		25,985
Depreciable Capital Assets, Net		240,207
Nondepreciable Capital Assets		56,227
Investment in Affiliates		155,060
Other Assets		87,929
Total assets		909,927
Deferred Outflows:		
Interest rate swap		38,347
Pension, contribution after measurement date		18,587
Pension, other		1,688
Deferred outflows related to other postemployment benefits		1,247
Loss on refunding of debt		14,635
Total deferred outflows		74,504
Total assets and deferred outflows	$	984,431

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group (Continued)
September 30, 2019
(In Thousands)

Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$	51,405
Accrued payroll and personal leave time		22,356
Current portion of accrued self-insurance liability		5,085
Current portion of long-term debt		5,795
Other current liabilities		4,953
Total current liabilities		89,594
Noncurrent Liabilities:		
Long-term debt, less current portion		431,772
Net pension liability		59,000
Other postemployment benefits liability		18,674
Accrued self-insurance liability, less current portion		8,499
Other liabilities		11,965
Long-term value of interest rate swap		38,347
Total liabilities		657,851
Deferred Inflows Related to Pension		315
Deferred Inflows Related to Other Post Employment Benefits		320
Total liabilities and deferred inflows		658,486
Net Position:		
Unrestricted		325,945
Total net position		325,945
Total liabilities, deferred inflows and net position	$	984,431

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, 2019
(In Thousands)

Operating Revenues:		
Net patient service revenue, before provision for bad debts	$	563,018
Provision for bad debts		(74,177)
Net patient service revenue		488,841
Ad valorem taxes		6,129
Other revenue		19,904
Total operating revenues		514,874
Operating Expenses:		
Salaries and benefits		253,563
Supplies		98,754
Purchased services		77,931
Depreciation and amortization		25,234
Ad valorem tax-related expenses		6,320
Leases and rentals		6,881
Other		25,632
Total operating expenses		494,315
Income from operations		20,559
Nonoperating Revenues (Expenses):		
Interest expense		(19,222)
Investment income—net		9,342
Donation revenue		77
Nonoperating gains (losses)—net		3,270
Income from affiliates		6,414
Total nonoperating expenses		(119)
Increase in net position		20,440
Net Position:		
Beginning net position		305,505
End of year	$	325,945

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 or Hospice, subject to certain limitations, to avoid or remedy a payment or covenant default, affiliates are not required to make any payments with respect to the outstanding indebtedness of the Medical Center or the Obligated Group.

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*

Independent Auditor's Report

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

We have audited, in accordance with the 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 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, 2019, and the related notes to the financial statements, which collectively comprise Halifax Health's basic financial statements, and have issued our report thereon dated January 17, 2020, which contained a reference to other auditors. Other auditors audited the financial statements of Halifax Health's fiduciary activities as described in our report on Halifax Health's financial statements. This report does not include the results of other auditors' testing of internal control over compliance that is reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Halifax Health'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 Halifax Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Halifax Health'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Halifax Health'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.

RSM US LLP

Orlando, Florida
January 17, 2020

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

Report on the Financial Statements
We have audited the financial statements of the business-type activities and 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, 2019, and have issued our report thereon dated January 17, 2020. We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2019. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of other auditors.

Auditor's Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule
We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 17, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority
Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Note 1 to Halifax Health's financial statements includes a description of Halifax Hospital Medical Center and its component units.

Financial Condition
Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not Halifax Health has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Halifax Health did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Halifax Health. It is management's responsibility to monitor Halifax Health's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with our audit, we determined that Halifax Health did not meet any of the conditions described in Sections 10.554(1)(i)5.c. and 10.556(8).

Section 10.554(1)(i)(2), Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

Orlando, Florida
January 17, 2020

RSM US LLP

Independent Accountant's Report

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

We have examined Halifax Hospital Medical Center's ("Halifax Health") compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies* during the year ended September 30, 2019. Management of Halifax Health is responsible for Halifax Health's compliance with the specified requirements. Our responsibility is to express an opinion on Halifax Health's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Halifax Health complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Halifax Health complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on Halifax Health's compliance with specified requirements.

In our opinion, Halifax Health complied, in all material respects, with *Section 218.415, Florida Statutes, Local Government Investment Policies* during the year ended September 30, 2019.

RSM US LLP

Orlando, Florida
January 17, 2020