DELTA REGIONAL MEDICAL CENTER
(A Component Unit of
Washington County, Mississippi)

Audited Financial Statements
Years Ended September 30, 2017 and 2016

DELTA REGIONAL MEDICAL CENTER

Greenville, Mississippi

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HORNE
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Delta Regional Medical Center
Greenville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Delta Regional Medical Center (the "Medical Center"), a component unit of Washington County, Mississippi, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Medical Center'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Medical Center, as of September 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the pension information on pages 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Surety Bonds for Officers and Employees on page 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Surety Bonds for Officers and Employees has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2018 on our consideration of the Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Horne LLP

Ridgeland, Mississippi
January 23, 2018

Our discussion and analysis of Delta Regional Medical Center's (the "Medical Center") financial performance provides an overview of the Medical Center's financial activities for the fiscal years ended September 30, 2017 and 2016. Please read it in conjunction with the financial statements. Unless otherwise indicated, amounts included in management's discussion and analysis are in thousands of dollars.

Using This Annual Report

The Medical Center's main financial statements include the statements of net position, statements of revenues and expenses, changes in net position and the statements of cash flows. These financial statements provide an indication of the Medical Center's financial health.

Financial Statement Comparison

The statements of net position include all of the Medical Center's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other purposes. The statements of revenues, expenses and changes in net position reports all of the revenues, expenses and changes in net position during the time periods indicated. The statements of cash flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash uses such as repayment of bonds and capital expenditures. The statements of net position reflect the current actual financial position of the Medical Center as of the audited dates, September 30, 2017 and 2016. The makeup, changes thereto and general comments regarding how the changes occurred will be discussed later.

The Medical Center's statements of net position indicate a strong financial position. The statements of revenue, expenses and changes in net position reflect the actual operations that occurred during the twelve months of the fiscal years presented. Revenues measure and represent the volume and types of services provided to the Medical Center's customers, which are the patients we serve. The statements also reflect the costs of providing those services, which are enumerated by the various categories and types of expenses incurred. These statements further reveal how the Medical Center was able to manage its business to either provide the services at a profit or loss. The current year statements show a positive margin.

During the fiscal year ended September 30, 2015, the Medical Center adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made After the Measurement Date*. These statements require employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. The adoption of these statements resulted in an $8,361,569 decrease of beginning net position as of October 1, 2014 for the change in accounting principle (see Note 15).

These financial statements taken as a whole accurately and adequately present the position and financial standing of the Medical Center. Management believes these statements will reflect to the reader a consistent, stable financial position for the most recent fiscal year compared to the prior year.

Restatement of October 1, 2014 Statement of Net Position Balance

The Medical Center adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an Amendment of GASB Statement No. 27 ("GASB No. 68") as of October 1, 2014, and, as required, adjusted net position as of October 1, 2014 and restated the basic statement of net position as of October 1, 2014. The cumulative effect of the implementation of GASB 68 resulted in a decrease in Net Position of $8,361,569.

CONDENSED FINANCIAL INFORMATION

A summary of the Medical Center's statements of net position for September 30, 2017, 2016 and 2015 is presented in the following table:

Condensed Statements of Net Position (000s)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Current and other assets	$ 70,777	$ 81,249	$ 75,517
Capital assets	45,540	38,472	39,536
Total assets	116,317	119,721	115,053
Deferred outflows of resources from pension	1,452	826	463
Net pension liability	9,867	8,788	9,005
Long-term debt outstanding, excluding current portion	28,569	29,773	30,929
Other liabilities	15,337	19,093	16,980
Total liabilities	53,773	57,654	56,914
Deferred inflows of resources from pension	2	114	56
Investment in capital assets, net of related debt	15,868	7,649	7,609
Restricted	9,380	8,900	8,392
Unrestricted	38,746	46,230	42,545
Total net position	$ 63,994	$ 62,779	$ 58,546

Total Assets

Fiscal Year Ended September 30, 2017

Total assets consist of current assets, other assets and capital assets. Total assets decreased by $3,404 compared to prior year. Current and other assets decreased by $10,472 and capital assets increased by $7,068. Current and other assets consist of current assets, noncurrent assets and other noncurrent assets, while capital assets consist of capital purchases less applicable accumulated depreciation.

The most significant changes impacting the total current assets were a decrease in cash of $13,250.

Fiscal Year Ended September 30, 2016

Total assets consist of current assets, other assets and capital assets. Total assets increased by $4,668 compared to prior year. Current and other assets increased by $5,732 and capital assets decreased by $1,064. Current and other assets consist of current assets, noncurrent assets and other noncurrent assets, while capital assets consist of capital purchases less applicable accumulated depreciation. The most significant changes impacting the total current assets were an increase in cash of $3,904.

Total Liabilities

Fiscal Year Ended September 30, 2017

Total liabilities consist of long-term debt and other liabilities. Total liabilities decreased by $3,881 compared to prior year. The most significant changes impacting the decrease to total liabilities were decreases in amounts due to third-party payors. Long-term debt decreased by $1,204 compared to previous year and other liabilities decreased by $3,756 compared to previous year. The majority of the long-term debt is associated with the purchase of King Daughter's Hospital in 2007. The reductions in long-term debts are associated with fiscal year 2017 payments made against the debt. Other liabilities decreases were associated with a decrease in estimated payables to third-party payors and accounts payable.

Fiscal Year Ended September 30, 2016

Total liabilities consist of long-term debt and other liabilities. Total liabilities increased by $740 compared to prior year. The most significant changes impacting the increase to total liabilities were increase in amounts due to third-party payors. Long-term debt decreased by $1,156 compared to previous year and other liabilities increased by $2,113 compared to previous year. The majority of the long-term debt is associated with the purchase of King Daughter's Hospital in 2007. The reductions in long-term debts are associated with fiscal year 2016 payments made against the debt. Other liabilities increases were associated with an increase in estimated payables to third-party payors and accounts payable.

Net Position

Fiscal Year Ended September 30, 2017

Total net position increased during this fiscal year by $1,215, which is the increase in net position reflected on the statements of revenues, expenses and changes in net position. The most significant changes impacting the net position was an operating profit from operations that is discussed in greater detail in the statements of revenues, expenses and changes in net position section of this report.

Fiscal Year Ended September 30, 2016

Total net position increased during this fiscal year by $4,233, which is the increase in net position reflected on the statements of revenues, expenses and changes in net position. The most significant changes impacting the net position was an operating profit from operations that is discussed in greater detail in the statements of revenues, expenses and changes in net position section of this report.

The following table presents a summary of the Medical Center's revenues, expenses and changes in net position for the fiscal years ended September 30, 2017, 2016 and 2015:

Condensed Statements of Revenues, Expenses and Changes in Net Position (000s)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Net patient service revenue, net of provision for bad debts	$ 118,051	$ 123,003	$ 123,446
Other operating revenue excluding interest income	1,937	2,546	2,666
Total operating revenue	119,988	125,549	126,112
Salaries, wages and employee benefits	62,305	62,846	63,280
Professional fees, supplies, maintenance and utilities	48,902	51,430	49,278
Total operating expenses before depreciation/amortization/impairment	111,207	114,276	112,558
Earnings before interest, depreciation, amortization and impairment loss ("EBIDA")	8,781	11,273	13,554
Depreciation and amortization	7,027	6,440	5,766
Impairment loss	-	-	1,663
Income from operations	1,754	4,833	6,125
Nonoperating revenues (expenses)			
Investment and grant income	801	917	826
Interest expense	(1,340)	(1,517)	(1,507)
Total nonoperating expenses	(539)	(600)	(681)
Increase in net position	$ 1,215	$ 4,233	$ 5,444

Patient Service Revenue

Fiscal Year Ended September 30, 2017

As a hospital, the gross revenues generated by the Medical Center come from the provision of services to patients both on an inpatient and outpatient basis. The two primary components are nursing revenues and other professional service revenues. Total gross revenues decreased during this fiscal year by $18,006 or 5.3 percent. This decrease was associated with a decrease in inpatient and outpatient volume. Outpatient gross revenue decreased by $13,290 or 6.7 percent compared to previous year and inpatient gross revenue decreased by $4,716 or 3.3 percent as compared to previous year. Charity care is recorded as a reduction in gross revenue and charity care write offs were $2,572.

Patient service revenues are generated with various outside payors who hold insurance plans for patients of the Medical Center. The discussion of these payors is contained in Note 7 to the financial statements. Under these arrangements, the Medical Center bills the outside payors on behalf of the patient and accepts assignment of the proceeds from the patient's insurance plan.

Fiscal Year Ended September 30, 2016

As a hospital, the gross revenues generated by the Medical Center come from the provision of services to patients both on an inpatient and outpatient basis. The two primary components are nursing revenues and other professional service revenues. Total gross revenues decreased during this fiscal year by $6,598 or 1.9 percent. This decrease was associated with a decrease in outpatient volume. Outpatient gross revenue decreased by $4,621 or 2.3 percent compared to previous year and inpatient gross revenue decreased by $1,977 or 1.4 percent as compared to previous year. Charity care is recorded as a reduction in gross revenue and charity care write offs were $2,688.

Patient service revenues are generated with various outside payors who hold insurance plans for patients of the Medical Center. The discussion of these payors is contained in Note 7 to the financial statements. Under these arrangements, the Medical Center bills the outside payors on behalf of the patient and accepts assignment of the proceeds from the patient's insurance plan.

Revenues by Payor

Fiscal Year Ended September 30, 2017

Note 7 addresses the types of payors with which the Medical Center is involved. Note 10 provides both a breakdown of current outstanding accounts receivable due from payors and a summary of the net patient service revenues generated during the year by each of the payors with a percentage of their total revenue.

We have seen a slight increase in Medicare patients and decrease in self-pay and commercial insurance payors from previous year.

Fiscal Year Ended September 30, 2016

We have seen a slight increase in Medicaid patients and decrease in self-pay and commercial insurance payors from previous year.

The following table represents the relative percentage of net charges billed for patient services by payor for the fiscal years ended September 30, 2017, 2016 and 2015.

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Medicare	48%	46%	46%
Medicaid	26	26	25
Self-pay and other	26	28	29
Total gross charges	100%	100%	100%

Net Revenues

Fiscal Year Ended September 30, 2017

Total operating revenue decreased $5,561 or 4.4 percent. Net patient service revenues decreased by $4,952 or 4.0 percent in the current fiscal year compared to the prior year. This decrease is associated with the decrease in gross patient revenue. Contractual allowances and bad debts decreased as a percent of gross revenue compared to previous year by 0.2 percent and 4.7 percent, respectively. Net revenue as a percentage of gross revenue was 36.8 percent compared to 36.3 percent in the prior year. There was a decrease in DSH/MHAP payments received from Medicaid in the amount of $253,000 from prior year. Also there was a reduction in other operating revenues related to meaningful use dollars associated with the implementation of electronic health records.

Fiscal Year Ended September 30, 2016

Total operating revenue decreased $562 or 0.4 percent. Net patient service revenues decreased by $442 or 0.4 percent in the current fiscal year compared to the prior year. This decrease is associated with the decrease in gross patient revenue. Contractual allowances decreased and bad debts increased as a percent of gross revenue compared to previous year by 2.1 percent and 9.4 percent, respectively. Net revenue as a percentage of gross revenue was 36.3 percent compared to 35.8 percent in the prior year. There was an increase in DSH/MHAP payments received from Medicaid in the amount of $1,909 from prior year. Also there was a reduction in other operating revenues related to meaningful use dollars associated with the implementation of electronic health records.

Total Operating Expenses before Depreciation, Amortization and Impairment Losses

Fiscal Year Ended September 30, 2017

As a patient-centered business, the Medical Center's two highest expense categories are in its personnel and supplies. Total operating expenses before interest, depreciation, amortization and impairment losses decreased $3,069 or 2.7 percent compared to previous year. Total operating expense before depreciation, amortization and impairment losses as a percent of total operating revenues increased in the current fiscal year to 92.7 percent as compared to the prior fiscal year of 91.0 percent. Total salaries and benefits as a percentage of total operating revenues increased in the current fiscal year to 51.9 percent compared to prior fiscal year of 50.1 percent. Salaries and benefits represent $62,305 and $62,846 of the Medical Center's total operating expenses for the years ended September 30, 2017 and 2016, respectively. Total supplies and other services as a percentage of total operating revenues decreased in the current fiscal year to 40.8 percent compared to prior fiscal year of 41.0 percent. Total supplies and other services represent $48,902 and $51,430 of the Medical Center's total operating expenses for the years ended September 30, 2017 and 2016, respectively.

Fiscal Year Ended September 30, 2016

As a patient-centered business, the Medical Center's two highest expense categories are in its personnel and supplies. Total operating expenses before interest, depreciation, amortization and impairment losses increased $1,718 or 1.5 percent compared to previous year. Total operating expense before depreciation, amortization and impairment losses as a percent of total operating revenues increased in the current fiscal year to 91.0 percent as compared to the prior fiscal year of 89.3 percent. Total salaries and benefits as a percentage of total operating revenues decreased in the current fiscal year to 50.1 percent compared to prior fiscal year of 50.2 percent. Salaries and benefits represent $62,846 and $63,280 of the Medical Center's total operating expenses for the years ended September 30, 2016 and 2015, respectively. Total supplies and other services as a percentage of total operating revenues increased in the current fiscal year to 41.0 percent compared to prior fiscal year of 39.1 percent. Total supplies and other services represent $51,430 and $49,278 of the Medical Center's total operating expenses for the years ended September 30, 2016 and 2015, respectively.

Income from Operations

Fiscal Year Ended September 30, 2017

The Medical Center experienced an income from operations in the current year in the amount of $1,754 compared to prior year of $4,833. The most significant impact was a decrease in net patient service revenue and in operating expenses.

Fiscal Year Ended September 30, 2016

The Medical Center experienced an income from operations in the current year in the amount of $4,833 compared to prior year of $6,125. The most significant impact was a decrease in net patient service revenue and an increase in operating expenses.

Change in Net Position

Fiscal Year Ended September 30, 2017

The change in net position for the fiscal year was an increase of $1,215. This represents an increase of 1.9 percent over the beginning balance in net position. The change in net position of $1,215 equates to 1.0 percent of total operating revenue of $119,988.

Fiscal Year Ended September 30, 2016

The change in net position for the fiscal year was an increase of $4,233. This represents an increase of 7.2 percent over the beginning balance in net position. The change in net position of $4,233 equates to 3.4 percent of total operating revenue of $125,549.

Ending Net Position

Fiscal Year Ended September 30, 2017

The ending net position of the Medical Center was $63,994. As a calculation of the Medical Center's ownership position, this ending net position value equates to 55.0 percent of total assets of $116,318.

Fiscal Year Ended September 30, 2016

The ending net position of the Medical Center was $62,779. As a calculation of the Medical Center's ownership position, this ending net position value equates to 52.4 percent of total assets of $119,721.

Operating and Financial Performance

The fiscal year 2017 Medical Center's statements of revenue, expenses and changes in net position between 2017 and 2016 are summarized below:

- During 2017, the Medical Center had total discharges and total patient days of 6,858 and 34,310, respectively. This is a decrease in discharges of 6.8 percent and decrease in patient days of 7.4 percent, respectively, from 2016.
- During 2017, total surgeries were 4,589. This is a decrease of 790 or 14.9 percent from 2016.

- During 2017, total hospital outpatient visits were 148,071. This is a decrease of 2,040 or 1.4 percent from 2016.
- During 2017, emergency registrations were 48,484. This is an increase of 820 or 1.7 percent from 2016.
- Net patient service revenue decreased as stated in the financial highlights from 2017.

The fiscal year 2016 Medical Center's statements of revenue, expenses and changes in net position between 2016 and 2015 are summarized below:

- During 2016, the Medical Center had total discharges and total patient days of 7,362 and 37,068, respectively. This is a decrease in discharges of 2.5 percent and decrease in patient days of 3.7 percent, respectively, from 2015.
- During 2016, total surgeries were 5,379. This is a decrease of 373 or 6.5 percent from 2015.
- During 2016, total hospital outpatient visits were 150,111. This is an increase of 4,473 or 3.1 percent from 2015.
- During 2016, emergency registrations were 47,664. This is an increase of 3,897 or 8.9 percent from 2015.
- Net patient service revenue decreased as stated in the financial highlights from 2016.

THE MEDICAL CENTER'S CASH FLOWS

Year Ended September 30, 2017

A summary of the Medical Center's cash flows for fiscal 2017 and 2016 is presented as follows:

Condensed Statements of Cash Flows (In Thousands)

	Increase (Decrease)	2017	2016
Cash flows from operating activities	$ (6,675)	$ 4,808	$ 11,483
Cash flows from noncapital financing activities	81	377	296
Cash flows from financing activities	(8,717)	(16,653)	(7,936)
Cash flows from investing activities	(1,843)	(1,767)	76
Net increase (decrease) in cash	(17,154)	(13,235)	3,919
Cash – beginning of year	3,919	40,052	36,133
Cash – end of year	$ (13,235)	$ 26,817	$ 40,052

The Medical Center's net cash from operating activities decreased by 58.1 percent when compared with 2016. The primary reason for this decrease was a decrease in receipts from patients.

The net cash outflow from financing activities in 2017 increased by $8.7 million over the previous year due primarily to the purchase of a new electronic health record system.

Year Ended September 30, 2016

A summary of the Medical Center's cash flows for fiscal years 2016 and 2015 is presented as follows:

Condensed Statements of Cash Flows (In Thousands)

	Increase (Decrease)	2016	2015
Cash flows from operating activities	$ (10,025)	$ 11,483	$ 21,508
Cash flows from noncapital financing activities	49	296	247
Cash flows from financing activities	(1,893)	(7,936)	(6,043)
Cash flows from investing activities	9,985	76	(9,909)
Net increase (decrease) in cash	(1,884)	3,919	5,803
Cash - beginning of year	5,803	36,133	30,330
Cash - end of year	$ 3,919	$ 40,052	$ 36,133

The Medical Center's net cash from operating activities decreased by 46.6 percent when compared with 2015. The primary reason for this decrease was an increase in payments to suppliers and payments to employees.

The net cash inflow from investing activities in 2016 increased by $9.9 million over the previous year due primarily to the purchase of investments during 2015.

ECONOMIC FACTORS AND FISCAL 2018 OPERATIONS

The financial outlook for the Medical Center is stable. While the annual budget of the Medical Center is not presented within these financial statements, the Medical Center's Board and management considered many factors in developing the fiscal year 2018 budget. Of primary importance in developing the 2018 budget is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

1. Medicare reimbursement changes.
2. Medicaid reimbursement changes, as well as the continuation at the current level of the Disproportionate Share and Upper Payment Limit programs.
3. Increased number of uninsured and working poor.
4. Ongoing competition for services.
5. Workforce shortages primarily in nursing and other skilled clinical positions. This puts upward pressure on salaries.
6. Increasing cost of supplies, including pharmaceuticals.
7. The status of the local economy and the healthcare environment.
8. Ability to recruit medical staff in the specialty areas needed by the Medical Center in an environment that many physicians see as a state with an adverse business climate.
9. Stability of existing industry and the ability of the community to attract new industry.
10. Stagnant population growth in our service area.
11. Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage.

CONTACTING THE MEDICAL CENTER CHIEF FINANCIAL OFFICER

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Medical Center's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, Delta Regional Medical Center, 1400 East Union Street, Greenville, Mississippi 38704.

DELTA REGIONAL MEDICAL CENTER
Statements of Net Position
September 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 24,908,856	$ 38,159,049
Assets limited as to use	1,908,402	1,893,094
Patient accounts receivable, net of allowance for uncollectible accounts of $14,604,000 and $16,443,000, respectively	18,112,733	17,718,110
Inventories	1,941,671	2,075,861
Prepaid expenses	852,124	359,975
Other current assets	704,796	564,390
Total current assets	48,428,582	60,770,479
Noncurrent cash and investments		
Restricted cash for debt service	7,471,138	7,006,852
Internally designated by Board for capital improvements	12,385,243	12,408,333
Total noncurrent cash and investments	19,856,381	19,415,185
Capital assets, net	45,539,720	38,471,749
Other noncurrent assets	2,492,745	1,063,578
Total assets	116,317,428	119,720,991
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources from pension	1,451,919	826,423
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	1,102,347	1,049,830
Accounts payable, trade and other	2,824,121	3,417,200
Estimated payables, third-party payors	1,630,869	4,615,328
Accrued salaries and wages	5,461,097	5,880,768
Other accrued expenses	4,318,508	4,129,512
Total current liabilities	15,336,942	19,092,638
Net pension liability	9,867,350	8,788,285
Long-term debt, net of current maturities	28,569,235	29,773,412
Total long-term liabilities	38,436,585	38,561,697
Total liabilities	53,773,527	57,654,335
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from pension	1,967	114,344
NET POSITION		
Net investment in capital assets	15,868,138	7,648,507
Restricted		
Debt service and interest	7,471,138	7,006,852
Self-insurance	1,908,402	1,893,094
Unrestricted	38,746,175	46,230,282
Total net position	$ 63,993,853	$ 62,778,735

See accompanying notes.

DELTA REGIONAL MEDICAL CENTER

Statements of Revenue, Expenses and Changes in Net Position
Years Ended September 30, 2017 and 2016

	2017	2016
Net patient service revenue, net of provision for bad debts of $25,743,213 and $28,426,876, respectively	$ 118,051,249	$ 123,003,348
Other operating revenue	1,937,198	2,545,951
Total operating revenue	119,988,447	125,549,299
Operating expenses		
Salaries and benefits	62,305,518	62,845,881
Medical supplies and drugs	11,745,881	13,152,303
Other supplies and services	23,355,326	25,948,447
Other operating expenses	13,800,782	12,329,965
Depreciation and amortization	7,026,725	6,439,583
Total operating expenses	118,234,232	120,716,179
Income from operations	1,754,215	4,833,120
Nonoperating revenues (expenses)		
Noncapital grants and contributions	376,982	295,997
Investment income	424,216	620,117
Interest expense	(1,340,295)	(1,516,674)
Total nonoperating expenses	(539,097)	(600,560)
Increase in net position	1,215,118	4,232,560
Net position at beginning of year	62,778,735	58,546,175
Net position at end of year	$ 63,993,853	$ 62,778,735

See accompanying notes.

	2017	2016
Cash flows from operating activities		
Income from operations	$ 1,754,215	$ 4,833,120
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	7,026,725	6,439,583
Provision for bad debts	25,743,213	28,426,876
Gain on sale of equipment	-	(107,800)
Changes in operating assets and liabilities		
Patient accounts receivable	(26,137,836)	(29,400,614)
Estimated third-party payor settlements	(2,984,459)	1,806,933
Other current and noncurrent assets	157,661	(104,226)
Inventories	134,190	86,561
Accounts payable	(593,079)	784,335
Accrued salaries and wages	(419,671)	(1,741,567)
Prepaid expenses	(492,149)	(301,386)
Other accrued expenses	277,653	1,283,464
Net pension liability and related accounts	341,192	(522,063)
Net cash provided by operating activities	$ 4,807,655	$ 11,483,216
Supplemental disclosure of noncash investing activities and financing activities		
Unrealized gain (loss) on investments	$ (38,596)	$ 49,120
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	$ 24,908,856	$ 38,159,049
Assets limited as to use	1,908,402	1,893,094
Total	$ 26,817,258	$ 40,052,143

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Delta Regional Medical Center (the "Medical Center") consists of a 358-bed acute-care hospital and related rehabilitation and outpatient care facilities located in Greenville, Mississippi. The Medical Center operates in the form of a government authority governed by a Board of Trustees pursuant to Sections 41-13-15 et. Seq. of Mississippi Code of 1972, as amended, consisting of members from Washington County. Because of the relationship between the Medical Center and Washington County, the Medical Center has been defined as a component unit of the county. The Medical Center is an independent enterprise held and operated separate and apart from all other assets and activities of Washington County. It is not a taxable entity and does not file a tax return.

The Medical Center provides inpatient, outpatient and emergency care services primarily for residents of Washington County and the surrounding area.

Budgetary Information

The Medical Center is required by statute of the State of Mississippi to prepare a non-appropriated annual budget. The budget is not subject to appropriation and is therefore not required to be presented as supplementary information.

Basis of Accounting

The Medical Center prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. GASB Accounting Standards Codification is the sole source of authoritative accounting guidance for governmental entities in the United States of America.

Newly Adopted Accounting Standards

During the fiscal year ended September 30, 2017, the Medical Center adopted GASB 82, *Pension Issues- An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements for this standard are effective for the first reporting period in which the measurement date of the pension liability is after June 15, 2017.

The adoption of this standard did not have a significant impact on the financial statements.

Accounting Pronouncements Issued Not Yet Adopted

The Medical Center will adopt GASB 85, *Omnibus 2017,* in fiscal year 2018. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Statement No. 85 addresses a variety of topics including issues related to

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Medical Center is currently assessing the impact of adopting this accounting standard.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net position during the reporting period. Actual results could differ from those estimates.

Significant estimates and assumptions are used for, but not limited to, contractual allowances for revenue adjustments, allowances for revenue adjustments, allowance for doubtful accounts, depreciable lives of assets and economic lives and fair value of leased assets.

The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired and as additional information is obtained. Future events and their effects cannot be predicted with certainty; accordingly, the Medical Center's accounting estimates require the exercise of judgment. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term.

Cash and Cash Equivalents

Cash and cash equivalents include all cash accounts and highly liquid debt instruments purchased with an original maturity of three months or less. For the statements of cash flows presentation, cash and cash equivalents includes assets limited as to use.

Investments

The Medical Center's investments consist of external investment pools and are carried at fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in nonoperating income when earned.

Patient Receivables

Patient receivables are reported at net realizable value, after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical losses and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts and decreased by write-offs of accounts determined by management to be uncollectible. The allowances for third-party discounts are based on the estimated differences between the Medical Center's established rates and the actual amounts to be received under each contract.

Inventories

Inventories, which consist primarily of medical supplies and drugs, are valued at the lower of cost or market. Cost is determined using the first-in, first-out and average cost methods.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Designated and Restricted Funds

Funds designated by the Board include assets set aside by the Board of Trustees for plant replacement and expansion, over which the Board retains control and may, at its discretion, use for other purposes. Restricted assets include assets held by trustees under indenture agreements and assets set aside for the Medical Center's self-insurance plan.

Capital Assets

Capital asset acquisitions are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation.

All assets, other than land, are depreciated on the straight-line method over the estimated useful life of each class of the depreciable asset. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Useful lives for the major asset classes follows:

	Years
Land improvements	5 - 20
Buildings and improvements	5 - 40
Fixed equipment	5 - 25
Major moveable equipment	5 - 20

Management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital asset occurs.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until the future period. At September 30, 2017 and 2016, the Medical Center recognized $1,451,919 and $826,423, respectively, as deferred outflows of resources. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2017 and 2016, the Medical Center recognized $1,967 and $114,344, respectively, as deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Other Assets

The Medical Center has entered into various agreements with physicians, specifically to benefit the Medical Center's community service area. These agreements include income guarantees and other advances, all of which are generally conditioned upon a service commitment to the community. Amounts paid under income guarantee arrangements are generally expensed as incurred, unless repayment is expected under the terms of the related agreements. Advances under some agreements are forgiven upon fulfillment of the professional's contractual service commitment, but are due in full if such commitment is not fulfilled. Advances under those arrangements are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year are classified as a current asset in the accompanying statements of net position.

Cost of Borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest costs on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring assets. There were no interest costs capitalized in 2017 and 2016.

Compensated Absences

Medical Center employees can accumulate earned time off, which is vested with the employee and upon termination is payable under certain circumstances. All vested compensated absences are included in accrued salaries and wages in the accompanying statements of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value.

Restricted Resources

When the Medical Center has both restricted and unrestricted resources available to finance a particular program, it is the Medical Center's policy to use restricted resources before unrestricted resources.

Grants and Contributions

From time-to-time, the Medical Center receives grants from Washington County and the State of Mississippi as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or that are

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues, expenses and changes in net position.

Net Position

Net position consists of net investment in capital assets, restricted net position and unrestricted net position. Net position invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Restricted net position are those assets that are externally restricted by creditors, grantors, contributors or laws and regulations or those restricted by constitutional provisions and enabling legislation. Unrestricted net position consists of all other assets.

Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Medical Center's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Medical Center's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Medical Center to fines and penalties. Although no assurance can be given, management believes it has substantially complied with the requirements of these programs.

Charity Care

The Medical Center provides medical care without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these charges are not reported as patient service revenue.

Operating Revenue and Expenses

The Medical Center's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Medical Center's principal activity. Nonexchange revenues, including grants and contributions received for purposes

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

other than capital asset acquisition, as well as investment income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record ("EHR") technology. The Medical Center must also attest to certain criteria in order to qualify to receive the incentive payments. The amount of the incentive payments are calculated using predetermined formulas based on available information, primarily related to discharges and patient days. The Medical Center recognizes revenues related to Medicare incentive payments ratably over each EHR reporting period (October 1 to September 30) when it has demonstrated meaningful use requirements of certified EHR technology for the EHR reporting period. The Medical Center recognizes Medicaid incentive payments in the period that it qualifies for the funds based on the provisions of the State of Mississippi Division of Medicaid.

The Medical Center recognized $-0- and $437,560 of revenues related to the Medicare incentive program, respectively, for the years ended September 30, 2017 and 2016. These revenues are reflected in other operating revenues on the accompanying statements of revenue, expenses and changes in net position. Future incentive payments could vary due to certain factors such as availability of federal funding for both Medicare and Medicaid incentive payments and the Medical Center's ability to implement and demonstrate meaningful use of certified EHR technology.

The Medical Center has and will continue to incur both capital costs and operating expenses in order to implement certified EHR technology and meet meaningful use requirements in the future. These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use. The timing of recognizing the expenses may not correlate with the receipt of the incentive payments and the recognition of revenues. There can be no assurance that the Medical Center will continue to be able to demonstrate meaningful use of certified EHR technology in the future, and the failure to do so could have a material, adverse effect on the results of operations. As a part of operating this program, there is a possibility that government authorities may make adjustments to amounts previously recorded by the Medical Center. The Medical Center's attestation of demonstrating meaningful use is also subject to review by the appropriate government authorities. The amount of revenue recognized is based on management's best estimate, which is subject to change. Such changes will be reflected in the period in which the changes occur.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The provision is included in other accrued expenses on the accompanying statements of net position.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Medical Center's deposits might not be recovered. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Medical Center's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The collateralized and insured bank balance was $28,601,150 and $40,685,293 at September 30, 2017 and 2016, respectively.

The Medical Center also has cash deposits held by a trustee. The use of these funds is restricted for debt service and capital improvements. The carrying value of these deposits was $7,471,138 and $7,006,852 at September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, $7,221,138 and $6,756,852, respectively, of the Medical Center's debt service fund balances were exposed to custodial credit risk.

Investments

The statutes of the State of Mississippi restrict the authorized investments of the Medical Center to obligations of the U. S. Treasury, agencies and instrumentalities of the United States and certain other types of investments. The Medical Center does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The Medical Center's cash, noncurrent cash and investments consisted of the following at September 30:

	2017	2016
Cash and cash equivalents	$ 34,741,998	$ 50,316,341
Mississippi Hospital Association – Intermediate Duration Trust	2,405,250	2,407,064
Fixed income	7,481,368	4,991,614
Certificate of deposit	2,045,023	1,752,309
Total	$ 46,673,639	$ 59,467,328

The external investment pool does not have a credit rating on the overall pool and it is not insured.

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

The carrying amounts of deposits and investments shown above are included in the Medical Center's statements of net position as follows at September 30:

	2017	2016
Cash and cash equivalents	$ 24,908,856	$ 38,159,049
Assets limited as to use	1,908,402	1,893,094
Noncurrent cash and investments, internally designated	12,385,243	12,408,333
Noncurrent cash and investments restricted for debt service	7,471,138	7,006,852
Total	$ 46,673,639	$ 59,467,328

Note 3. Capital Assets

Major classes of capital assets at September 30 are summarized as follows:

	2017	2016
Land	$ 3,531,832	$ 3,531,832
Land under capital lease obligation	1,145,500	1,145,500
Land improvements	860,754	860,754
Building	42,858,792	42,575,026
Fixed equipment	20,855,266	20,855,266
Equipment	61,707,355	59,426,325
Capital assets, at cost	130,959,499	128,394,703
Less accumulated depreciation and amortization	98,126,535	91,122,576
Construction in progress	12,706,756	1,199,622
Capital assets, net	$ 45,539,720	$ 38,471,749

Depreciation and amortization of capital assets for the years ended September 30, 2017 and 2016 totaled $7,003,959 and $6,416,061, respectively.

Construction in progress as of September 30, 2017 consists primarily of expenditures associated with the purchase of a new electronic health records system.

Capital asset additions, retirements and balances for the year ended September 30, 2017 were as follows:

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
Capital assets not being depreciated				
Land	$ 3,531,832	$ -	$ -	$ 3,531,832
Land under capital lease obligation	1,145,500	-	-	1,145,500
Construction in progress	1,199,622	11,671,779	(164,645)	12,706,756

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
Total capital assets not being depreciated	$ 5,876,954	$11,671,779	$ (164,645)	$ 17,384,088
Capital assets being depreciated				
Land improvements	860,754	-	-	860,754
Buildings	42,575,026	283,766	-	42,858,792
Fixed equipment	20,855,266	-	-	20,855,266
Equipment	59,426,325	2,281,030	-	61,707,355
Total capital assets being depreciated	123,717,371	2,564,796	-	126,282,167
Less accumulated depreciation for				
Land improvements	(716,924)	(23,785)	-	(740,709)
Buildings	(26,431,305)	(1,616,290)	-	(28,047,595)
Fixed equipment	(14,424,461)	(2,817,273)	-	(17,241,734)
Equipment	(49,549,886)	(2,546,611)	-	(52,096,497)
Total accumulated depreciation	(91,122,576)	(7,003,959)	-	(98,126,535)
Capital assets being depreciated, net	32,594,795	(4,439,163)	-	28,155,632
Capital assets, net	$ 38,471,749	$ 7,232,616	$ (164,645)	$ 45,539,720

Capital asset additions, retirements and balances for the year ended September 30, 2016 were as follows:

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
Capital assets not being depreciated				
Land	$ 3,531,832	$ -	$ -	$ 3,531,832
Land under capital lease obligation	1,145,500	-	-	1,145,500
Construction in progress	208,357	1,461,232	(469,967)	1,199,622
Total capital assets not being depreciated	4,885,689	1,461,232	(469,967)	5,876,954
Capital assets being depreciated				
Land improvements	860,754	-	-	860,754
Buildings	42,457,743	127,283	(10,000)	42,575,026
Fixed equipment	20,855,266	-	-	20,855,266
Equipment	55,221,004	4,262,108	(56,787)	59,426,325

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
Total capital assets being depreciated	$ 119,394,767	$ 4,389,391	$ (66,787)	$ 123,717,371
Less accumulated depreciation for				
Land improvements	(691,613)	(25,311)	-	(716,924)
Buildings	(24,814,853)	(1,620,135)	3,683	(26,431,305)
Fixed equipment	(12,191,837)	(2,232,624)	-	(14,424,461)
Equipment	(47,046,604)	(2,537,991)	34,709	(49,549,886)
Total accumulated depreciation	(84,744,907)	(6,416,061)	38,392	(91,122,576)
Capital assets being depreciated net	34,649,860	(2,026,670)	(28,395)	32,594,795
Capital assets, net	$ 39,535,549	$ (565,438)	$ (498,362)	$ 38,471,749

Note 4. Other Assets

The composition of other assets at September 30 consisted of the following:

	2017	2016
Prepaid mortgage insurance premiums	$ 221,937	$ 244,704
Interest in multi-provider liability insurance company	386,672	650,805
Advances under agreements with healthcare professionals, net	134,136	168,069
Investment in provider-sponsored health plan	1,750,000	-
Total noncurrent other assets	$ 2,492,745	$ 1,063,578

The Medical Center has made an investment in a provider-sponsored health plan, which is currently in the development stage and as such is accounted for at cost. The Medical Center's ownership in this entity is not significant to the plan.

The Medical Center has an investment in a multi-provider liability insurance company. The Medical Center's ownership in the company is not significant; however, the Medical Center has the ability to exercise influence over the company through the Medical Center's membership on the company's Board Nomination Committee and other key committees. Consequently, this investment is accounted for under the equity method. During 2010, the Medical Center elected to no longer participate in the multi-provider liability insurance company. The Medical Center's interest will be returned in installments over future periods in accordance with the operating agreement beginning fiscal year 2014 through fiscal year 2018.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

A summary of long-term debt, including capital lease obligations, at September 30 follows:

	2017	2016
Mississippi Hospital Equipment and Facilities Authority, FHA-Insured Mortgage Revenue Bonds, Series 2007, principal maturing in varying annual amounts through 2033, with semi-annual interest payments based on variable rates ranging from 4.7 percent to 6.25 percent.	$ 27,680,000	$ 28,695,000
Capital lease obligation, at imputed interest of 7 percent, with payments due through July 30, 2030, collateralized by leased land.	969,708	1,001,543
	28,649,708	29,696,543
Less current maturities of long-term debt	(1,102,347)	(1,049,830)
Plus unamortized bond premium	1,021,874	1,126,699
Long-term debt, excluding current maturities	$ 28,569,235	$ 29,773,412

In February 2007, Mississippi Hospital Equipment and Facilities Authority issued $35,725,000 of tax-exempt Series 2007 FHA-Insured Mortgage Revenue Bonds. The bonds mature in various amounts through 2033 and bear interest based on a variable interest rate. A portion of the bond proceeds were used to refinance a $21,000,000 short-term, commercial bank loan and to make certain capital improvements to the Medical Center, including renovating, upgrading and equipping the Medical Center's existing facility.

Upon maturity of the capital lease obligation for leased land, the ownership of the land is transferred to the Medical Center.

Scheduled interest and principal payments of long-term debt and payments on capital lease obligations at September 30, 2017 are as follows:

Year Ending	Long-Term Debt		Capital Lease Obligations	
September 30,	Principal	Interest	Principal	Interest
2018	$ 1,065,000	$ 1,385,537	$ 37,347	$ 66,478
2019	1,125,000	1,331,537	40,038	63,779
2020	1,180,000	1,274,538	44,668	60,881
2021	1,245,000	1,214,788	56,882	57,317
2022	1,305,000	1,151,594	60,994	53,206
2023 - 2027	7,680,000	4,642,756	404,443	191,280
2028 - 2032	9,920,000	2,455,125	325,336	33,996
2033	4,160,000	179,500	-	-
	$ 27,680,000	$ 13,635,375	$ 969,708	$ 526,937

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

A schedule of changes in the Medical Center's noncurrent liabilities for 2017 follows:

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017	Due Within One Year
Bonds payable					
FHA-insured Revenue Bond, Series 2007	$ 28,695,000	$ -	$(1,015,000)	$ 27,680,000	$ 1,065,000
Capital lease obligations	1,001,543	-	(31,835)	969,708	37,347
Total noncurrent liabilities	$ 29,696,543	$ -	$(1,046,835)	$ 28,649,708	$ 1,102,347

A schedule of changes in the Medical Center's noncurrent liabilities for 2016 follows:

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016	Due Within One Year
Bonds payable					
FHA-insured Revenue Bond, Series 2007	$ 29,660,000	$ -	$ (965,000)	$ 28,695,000	$ 1,015,000
Capital lease obligations	1,031,402	-	(29,859)	1,001,543	34,830
Total noncurrent liabilities	$ 30,691,402	$ -	$ (994,859)	$ 29,696,543	$ 1,049,830

Note 6. Net Position

Net investment in capital assets was as follows at September 30:

	2017	2016
Capital assets	$ 143,666,255	$ 129,594,325
Less accumulated depreciation	(98,126,535)	(91,122,576)
Less debt outstanding related to capital assets, net	(29,671,582)	(30,823,242)
Net position invested in capital assets, net of related debt	$ 15,868,138	$ 7,648,507

NOTES TO FINANCIAL STATEMENTS

Note 7. Net Patient Service Revenue

The Medical Center has agreements with governmental and other third-party payors that provide for payments to the Medical Center for services rendered at amounts different from its established rates. Patient revenue is reported net of contractual adjustments arising from these third-party arrangements, as well as net of provisions for uncollectible accounts. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute, rehabilitation and outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, outcome and other factors.

Medicare bad debts and disproportionate share payments are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology known as an APR-DRG system. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology known as an APC system.

The Medical Center participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH"), in the Medicare Upper Payment Limit Program ("UPL") and the Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program"). Under these programs, the Medical Center receives enhanced reimbursement through a matching mechanism.

Beginning with the state fiscal year 2016, July 1, 2015, UPL payments were phased out and the Division of Medicaid ("DOM") implemented the MHAP Program in its place. The MHAP Program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's subcontract with the hospitals throughout the state for distribution of the MHAP Program for the purpose of protecting patient access to hospital care. The MHAP Program began December 1, 2015 and the MHAP payments and associated tax are distributed and collected in equal monthly installments. For the fiscal years ended September 30, 2017 and 2016, the Medical Center received approximately $12,722,000 and $12,955,000, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments with the related tax assessment of $5,618,000 and $5,638,000 recorded in operating expenses for the years ended September 30, 2017 and 2016, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2017 revenue increased approximately $2,886,000 due to retroactive adjustments in excess of amounts previously estimated. The 2016 revenue decreased approximately $1,124,000 due to retroactive adjustments in excess of amounts previously estimated. As of September 30, 2017, cost reports for fiscal years 2013 and prior have been settled.

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Other

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates and discounts from established charges and prospectively determined per diem rates.

The following is a summary of gross and net patient service revenue for the years ended September 30, 2017 and 2016:

	2017	2016
Gross patient service revenue	$ 318,037,986	$ 335,928,349
Less provisions for		
Contractual adjustments under third-party reimbursement programs and other deductions	174,243,524	184,498,125
Provision for bad debts	25,743,213	28,426,876
Net patient service revenue	$ 118,051,249	$ 123,003,348

Note 8. Charity Care

The amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy aggregated approximately $2,572,000 and $2,689,000 for the years ended September 30, 2017 and 2016, respectively. The estimated cost of charity care, estimated using a ratio of cost to gross charges, totaled approximately $956,000 and $966,000 for the years ended September 30, 2017 and 2016, respectively.

Note 9. Defined Benefit Pension Plan

The Medical Center pension plan (the "Plan") is a single-employer noncontributory defined benefit pension plan covering all covered employees as defined by the Plan. The Medical Center elected to freeze the Plan to new entrants as of June 30, 2009. Information about the Plan follows:

Plan Description

The Plan is a single-employer noncontributory defined benefit retirement pension plan, administered by the Director of the Medical Center's Department of Human Resources. The Plan provides retirement, disability and death benefits to Plan members and beneficiaries. Benefit provisions are established by the Hospital's Board of Trustees. The Plan issues a financial report, available for all participants, that includes financial statements and required supplementary information. That information may be obtained by writing to Chief Financial Officer, Delta Regional Medical Center, 1400 East Union Street, Greenville, Mississippi 38704.

Note 9. Continued

Benefits Provided

For the Plan participating members who are vested and retire at or after age 65 or those who retire at age 55 with at least five years of creditable service are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 1.10 percent of their average monthly earnings. Average compensation is the average of the employee's earnings for the highest 60 consecutive calendar months preceding retirement or termination, limited as required by Internal Revenue Code section 401(a)(17). A member may elect a reduced retirement benefit at age 55 with at least five years of consecutive service. Benefits vest upon completion of five years of continuous service. The Plan also provides certain death and disability benefits.

Prior to the adoption of the Provisions of GASB Statement No. 68 in 2015, contributions to the pension plans were actuarially determined, and approximated annual pension expense.

Summary of Participant Data

The following employees were covered by the benefit terms, as of the July 1 valuation date as follows:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	260	242
Inactive employees entitled to but not yet receiving benefits	480	482
Active Employees	372	396
Total	1,112	1,120

Funding Policy

Although a formal funding policy has not been established, the Medical Center contributes amounts necessary to fund the Plan at an actuarially determined rate. The current actuarially required minimum rate is 3.5 percent of annual covered payroll.

Long-term Expected Rate of Return

The long-term expected rate of return and actual allocation as of June 30, 2017 is as follows:

Asset Class	Index	Actual Allocation	Long-term Expected Arithmetic Real Rate of Return
US Cash	BAM 3-Mon Tbill	6.63%	0.36%
US Core Fixed Income	Barclays Aggregate	47.08%	2.17%
US Large Caps	S&P 500	38.05%	4.55%
Global Equity	MSCI ACWI NR	7.70%	5.20%
US REITs	FTSE NAREIT Equity REIT	0.54%	5.04%
Long-term expected rate of return			6.50%

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

Discount Rate

The discount rate used to measure the total pension liability at September 30, 2017 and 2016 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate and that contributions from the Medical Center will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to always be sufficient to cover benefit payments and administrative expense. 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.

Actuarial Assumptions

The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment yield	6.50 percent
Inflation	3.00 percent
Salary increases including inflation	5.00 percent

Mortality rates were based on the RP-2000 Mortality Table projected with generational projection per Scale AA.

The Plan has not had a formal actuarial experience study performed.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future rate 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.

Net Pension Liability

The total net pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 67 and GASB 68.

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

Changes in Net Pension Liability

Changes in the net pension liability for the year ended September 30, 2017 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)- (b)
Balance as of June 30, 2016	$ 25,668,962	$ 16,880,677	$ 8,788,285
Changes for the year:			
Service cost	56,525	-	56,525
Interest on total pension liability	1,751,794	-	1,751,794
Effect on plan changes	-	-	-
Effect on economic/demographic gains or losses	1,782,929	-	1,782,929
Effect on assumptions, changes or inputs	-	-	-
Benefit payments	(1,133,330)	(1,133,330)	-
Employer contributions	-	1,083,329	(1,083,329)
Member contributions	-	-	-
Net investment income	-	1,428,854	(1,428,854)
Administrative expenses	-	-	-
Balance as of June 30, 2017	$ 28,126,880	$ 18,259,530	$ 9,867,350

Changes in the net pension liability for the year ended September 30, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)- (b)
Balance as of June 30, 2015	$ 24,860,629	$ 15,855,179	$ 9,005,450
Changes for the year:			
Service cost	441,695	-	441,695
Interest on total pension liability	1,598,830	-	1,598,830
Effect on plan changes	-	-	-
Effect on economic/demographic gains or losses	(194,015)	-	(194,015)
Effect on assumptions, changes or inputs	-	-	-
Benefit payments	(1,038,177)	(1,038,177)	-
Employer contributions	-	1,338,128	(1,338,128)
Member contributions	-	-	-
Net investment income	-	752,788	(752,788)
Administrative expenses	-	(27,241)	27,241
Balance as of June 30, 2016	$ 25,668,962	$ 16,880,677	$ 8,788,285

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

Sensitivity Analysis

The following presents the net pension liability of the Medical Center as of September 30, 2017 and 2016, calculated using the discount rate of 6.50 percent, respectively, as well as what the Medical Center's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate.

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
2017	$ 13,383,590	$ 9,867,350	$ 18,259,530
2016	$ 11,990,679	$ 8,788,285	$ 6,328,404

Pension Expense and Deferred Outflows/Inflows of Resources

For the years ended September 30, 2017 and 2016, the Medical Center recognized pension expense of $1,341,188 and $1,066,065, respectively. At September 30, 2017 and 2016, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2017	2016
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	$ 136,817	$ 576,423
Differences between expected and actual experience	1,148,435	-
Pension contributions subsequent to measurement date	166,667	250,000
Total deferred outflows of resources	$ 1,451,919	$ 826,423
Deferred inflows of resources		
Differences between expected and actual experience	$ (1,967)	$ (114,344)
Total deferred inflows of resources	$ (1,967)	$ (114,344)

Amounts currently as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	$ 738,924
2019	620,338
2020	(9,336)
2021	(66,641)
Total	$ 1,283,285

Amortization Period

Investment gains or losses are amortized over five years. Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for 2017 and 2016 is 2.8 and 2.0 years, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 10. Concentration of Credit Risks and Patient Service Revenue

Accounts Receivable

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The percentage mix of net accounts receivable from patients and major third-party payors at September 30 is as follows:

	2017	2016
Medicare	31%	31%
Medicaid	20	17
Commercial	17	22
Self-pay	32	30
	100%	100%

Patient Service Revenue

The percentage mix of net patient service revenue for the year ended September 30 for patient services rendered under contract with major third-party cost reimburses follows:

	2017	2016
Medicare	48%	46%
Medicaid	26	26
Commercial	24	27
Self-pay	2	1
	100%	100%

Note 11. Operating Leases

The Medical Center leases various equipment and facilities under operating leases expiring at various dates through 2021. Total rental expense for the years ended September 30, 2017 and 2016, for all operating leases was approximately $1,073,000 and $1,214,000, respectively.

The following is a schedule by year of approximate future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

Year Ending September 30,		Amount
2018	$	1,095,746
2019		1,095,746
2020		1,095,746
2021		1,002,942
2022		1,002,942
Total	$	5,293,122

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies

The Medical Center is involved in various litigation and potential claims which management believes, based in part upon discussion with counsel, will not have a material adverse effect on the results of operations or the financial position of the Medical Center.

Note 13. Insurance Programs

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial liability insurance coverage is purchased for most of these risks. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Medical Center also carries insurance for medical malpractice claims and judgments, as discussed below.

Self-Funded Health Insurance

The Medical Center provides health insurance coverage to its employees under a self-funded plan. Health claims are paid by the Medical Center as they are incurred and filed by the employee. An estimated liability for claims incurred but not reported or paid is included in other current liabilities and operating expenses in the accompanying financial statements. Commercial insurance is purchased for claims in excess of coverage provided by the Medical Center to limit the Medical Center's liability or losses under its self-insurance program. Settled claims have not exceeded this commercial insurance in either of the past two years.

The claims liability at September 30, 2017 and 2016 is based on the requirements of GASB, which provides that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the Medical Center's claims liability amount during the past two years is reflected below:

	2017	2016
Balance, at beginning of year	$ 473,965	$ 473,320
Claims reported and claims incurred but not reported	3,548,505	4,012,054
Claims paid	(3,583,264)	(4,011,409)
Balance, at end of year	$ 439,206	$ 473,965

Medical Malpractice Program

Effective October 1, 2009, the Medical Center began a self-funded plan for professional and general liability insurance. At year-end, the Medical Center accrues for the estimate of probable losses for malpractice claims outstanding based on the Medical Center's past experience and advice from consulting actuaries. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although not anticipated. In any event, management believes that any such claims would be substantially covered under its insurance program.

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

The Mississippi Tort Claims Act ("MTCA") provides a cap on the amount of damages recoverable against government entities, including governmental hospitals. The amount recoverable for claims is the greater of $500,000 or the amount of liability insurance coverage that has been retained. Changes in the Medical Center's medical malpractice liability are as follows:

	Medical Malpractice				
		Beginning October 1,	Current Year Changes & Estimates	Current Year Claim Payments	Ended September 30, Liability
2017	$	1,553,413	265,818	(218,021)	1,601,210
2016		1,734,848	(44,518)	(136,917)	1,553,413

Worker's Compensation Coverage

The Medical Center is insured for the risk of loss related to workers' compensation for injuries to its employees. Premiums are based upon payroll and adjusted by an experience modification factor. The Medical Center is audited for workers' compensation assessments based upon a June 30 fiscal year. No additional assessments were made for the year ended June 30, 2017 or 2016.

Note 14. Fair Value

The Medical Center's investments are recorded at fair value as of September 30, 2017 and 2016. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumption about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 — Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 — Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 — Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

NOTES TO FINANCIAL STATEMENTS

Note 14. Continued

The following table represents the Medical Center's investments within the fair value hierarchy at September 30, 2017:

	Fair Value Measurements at September 30, 2017			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments				
MHA duration trust	$ -	$ 2,405,250	$ -	$ 2,405,250
Fixed income	-	7,481,368	-	7,481,368
Total	$ -	9,886,618	-	9,886,618

The following table represents the Medical Center's investments within the fair value hierarchy at September 30, 2016:

	Fair Value Measurements at September 30, 2016			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments				
MHA duration trust	$ -	$ 2,407,064	$ -	$ 2,407,064
Fixed income	-	4,991,614	-	4,991,614
Total	$ -	$ 7,398,678	$ -	$ 7,398,678

The fair value of the MHA investment pools are based on the closing price reported on the active market on which the individual funds are traded, and the fair value is allocated to the Medical Center based on unit ownership. Therefore, investments are considered a Level 2 category.

Fixed income securities were measured using inputs based upon quoted prices for similar instruments in active markets and are therefore considered a Level 2 category.

Note 15. Risks and Uncertainties

The Patient Protection and Affordable Care Act ("PPACA") is the comprehensive healthcare reform bill passed by Congress in March 2010. The law reshapes the way healthcare is delivered and financed by transitioning providers from a volume-based fee-for-service system toward value-based care. Through a series of new programs, regulations, fees and subsides, the ACA seeks to achieve a triple aim of better population health, lower per capita costs and elevated patient experience. Several legal challenges have been made against the legislation since it was enacted, and uncertainty exists as to the ultimate impact of the legislation on the healthcare delivery system. On June 28, 2012, The United States Supreme Court upheld the constitutionality of components of the ACA, allowing the historic overhaul of the healthcare system to continue. Potential impacts of healthcare reform include political uncertainty and volatility in Medicare and Medicaid reimbursement, fundamental changes in payment systems, increased regulation and significant required investments in healthcare information technology.

The accompanying financial statements have been prepared using values and information currently available to the Hospital.

REQUIRED SUPPLEMENTARY INFORMATION

DELTA REGIONAL MEDICAL CENTER

Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Years Ended September 30, 2017 - 2015

	2017	2016	2015
Total Pension Liability			
Service cost	$ 56,525	$ 441,695	$ 490,706
Interest on total pension liability	1,751,794	1,598,830	1,547,795
Effect of plan changes	-	-	-
Effect of economic/demographic (gains) losses	1,782,929	(194,015)	(95,165)
Effect of assumption changes or inputs	-	-	-
Benefit payments	(1,133,330)	(1,038,177)	(983,322)
Net change in total pension liability	2,457,918	808,333	960,014
Total pension liability, beginning	25,668,962	24,860,629	23,900,615
Total pension liability, ending	28,126,880	25,668,962	24,860,629
Fiduciary Net Position			
Employer contributions	1,083,329	1,338,128	838,590
Investment income net of investment expenses	1,428,854	752,788	429,704
Benefit payments	(1,133,330)	(1,038,177)	(983,322)
Administrative expenses	-	(27,241)	(28,627)
Net change in fiduciary net position	1,378,853	1,025,498	256,345
Fiduciary net position, beginning	16,880,677	15,855,179	15,598,834
Fiduciary net position, ending	18,259,530	16,880,677	15,855,179
Net pension liability, ending	$ 9,867,350	$ 8,788,285	$ 9,005,450
Fiduciary net position as a % of total pension liability	64.92%	65.76%	63.78%
Covered payroll	$ 18,481,088	$ 20,365,267	$ 22,586,180
Net pension liability as a % of covered payroll	53.39%	43.15%	39.87%

Summary of Assumptions and Methods

The following actuarial methods and assumptions were used in the July 1, 2016 funding valuation:

Valuation timing	Actuarially determined contribution rates are calculated as of June 30
Actuarial cost method	Entry age normal
Amortization method	
Level percent or dollar	Level dollar
Closed, open, or layered periods	Closed
Remaining amortization period	18 years
Amortization growth rate	5.00%
Asset valuation method	
Smoothing period	3 years
Recognition method	Non-asymptotic
Corridor	80% - 120%
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	6.50%
Cost of living adjustments	None
Retirement age	65
Turnover	Table of rates
Mortality	RP-2000 Mortality for Employees, Health Annuitants, and Disabled Annuitants with General Projection per Scale AA

DELTA REGIONAL MEDICAL CENTER
Schedule of Employer Contributions (Unaudited)
September 30, 2017

Fiscal Year Ended June 30,	Actuarially Determine Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2008	$ 1,077,494	$ 1,077,494	$ -	$ 23,228,344	4.64%
2009	$ 1,403,396	$ 1,403,396	$ -	$ 26,112,402	5.37%
2010	$ 746,189	$ 746,189	$ -	$ 25,730,054	2.90%
2011	$ 931,812	$ 931,812	$ -	$ 26,593,764	3.50%
2012	$ 1,082,409	$ 1,082,409	$ -	$ 27,546,026	3.93%
2013	$ 1,071,487	$ 1,071,487	$ -	$ 25,120,081	4.27%
2014	$ 944,920	$ 944,920	$ -	$ 23,831,513	3.97%
2015	$ 939,446	$ 939,446	$ -	$ 22,586,180	4.16%
2016	$ 969,968	$ 1,338,128	$ (368,160)	$ 20,365,267	6.57%
2017	$ 953,390	$ 1,083,329	$ (129,939)	$ 18,481,088	5.86%

SUPPLEMENTARY INFORMATION

DELTA REGIONAL MEDICAL CENTER
Schedule of Surety Bonds for Officers and Employees
September 30, 2017

Name	Position	Company		Amount of Bond
Sylvia Jackson	Trustee	The Ohio Casualty Insurance Company	$	100,000
Mildred Crockett	Trustee	The Ohio Casualty Insurance Company		100,000
James Hollowell	Trustee	The Ohio Casualty Insurance Company		100,000
Howard Sanders	Trustee	The Ohio Casualty Insurance Company		100,000
Sam Newsom	Trustee	The Ohio Casualty Insurance Company		100,000
Billy Schultz	Trustee	The Ohio Casualty Insurance Company		100,000
Henry Rucker	Trustee	The Ohio Casualty Insurance Company		100,000
Scott Christensen	Chief Executive Officer	The Ohio Casualty Insurance Company		100,000

HORNE
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Delta Regional Medical Center
Greenville, Mississippi

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 of Delta Regional Medical Center (the "Medical Center"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated January 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center'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 Medical Center'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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-01 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of 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 Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Horne LLP

Ridgeland, Mississippi
January 23, 2018

Reference Number	Finding
Finding 2017-01	

Criteria or Specific Requirement - Proper internal controls surrounding accounts receivable, revenue, and liability accounts require monthly calculations and evaluation to ensure the accuracy of accounting data and information included in the financial statements.

Condition - The Medical Center had control deficiencies related to accounts receivable, revenue, and liability accounts that when aggregated resulted in a significant deficiency in the financial statement close process.

Context - Journal entries were required to correct misstatements not identified or corrected by management.

Effect - Monthly and annual financial statements may not accurately reflect the financial position of the Medical Center.

Cause – Controls were not operating that would ensure transactions were properly recorded.

Recommendation - Management follow their formal methodology for the reconciliation of subsidiary details to the general ledger on a periodic basis and the calculation of allowances for bad debt and contractual adjustments surrounding accounts receivable and revenue on a monthly basis.

Views of Responsible Official and Planned Corrective Actions - Management will begin to follow their formal monthly methodology for reconciling subsidiary details to the general ledger on a periodic basis and calculating bad debt allowances and contractual adjustments.