Delta Regional Medical Center
(A Component Unit of Washington County, Mississippi)

Independent Auditor's Reports and Financial Statements

September 30, 2019 and 2018

BKD
CPAs & Advisors

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
September 30, 2019 and 2018

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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 Delta Regional Medical Center (the Medical Center), a component unit of Washington County, Mississippi, as of and for the years ended September 30, 2019 and 2018, 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 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Regional Medical Center as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 5* to the financial statements, the Medical Center has elected to change its method of accounting for the economic useful lives of certain capital assets in 2019. Our opinion is not modified with respect to this manner.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The Schedule of Surety Bonds for Officers and Employees is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 24, 2019, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's 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.

BKD, LLP

Jackson, Mississippi
December 24, 2019

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Management's Discussion and Analysis
September 30, 2019 and 2018

Introduction

This management's discussion and analysis of the financial performance of Delta Regional Medical Center (the Medical Center) provides an overview of the Medical Center's financial activities for the years ended September 30, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the Medical Center.

Financial Highlights

- Cash and investments decreased in 2019 and 2018 by approximately $10,751,000 and $13,301,000, or 31.9% and 28.3%, respectively.
- The Medical Center's net position increased in 2019 by approximately $746,000, or 1.6% and decreased in 2018 by approximately $18,768,000, or 29.3%.
- Long-term debt decreased by approximately $12,866,000, as the Medical Center refunded their Series 2007 bonds and issuance of the Series 2019 bonds. In addition, they contributed approximately $10,000,000 in cash through the refinancing. See *Note 6* for additional information.
- The Medical Center's net patient service revenue increased in 2019 by approximately $11,097,000, or 11.6% and decreased by approximately $21,275,000, or 18.2% in 2018.
- The Medical Center reported an operating loss in 2019 and 2018 of approximately $804,000 and $17,863,000, respectively.

Using This Annual Report

The Medical Center's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Medical Center's finances is "Is the Medical Center as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net position and changes in them. The Medical Center's total net position—the difference between assets and liabilities—is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the Medical Center.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Medical Center's Net Position

The Medical Center's net position is the difference between its assets and liabilities reported in the statements of net position. The Medical Center's net position increased by $745,597 (1.6%) from 2018 to 2019, and decreased by ($18,767,058) (29.3%) from 2017 over 2018, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2019	2018	2017
Assets			
Cash and investments	$ 22,903,728	$ 33,654,236	$ 46,955,262
Patient accounts receivable, net	12,849,294	12,889,692	18,112,733
Capital assets, net	39,234,606	41,694,980	45,539,720
Other assets	6,191,559	6,651,212	5,709,713
Total assets	81,179,187	94,890,120	116,317,428
Deferred Outflows of Resources	165,389	692,559	1,451,919
Total assets and deferred outflows of resources	$ 81,344,576	$ 95,582,679	$ 117,769,347

	2019	2018	2017
Liabilities			
Long-term debt, excluding current maturities	$ 14,954,643	$ 27,300,025	$ 28,569,235
Net pension liability	8,275,729	9,131,126	9,867,350
Other current and noncurrent liabilities	11,425,028	13,568,028	15,336,942
Total liabilities	34,655,400	49,999,179	53,773,527
Deferred Inflows of Resources	716,784	356,705	1,967
Net Position			
Invested in capital assets	24,626,856	15,904,908	18,543,138
Restricted expendable	333,456	5,539,023	4,844,651
Unrestricted	21,012,080	23,782,864	40,606,064
Total net position	45,972,392	45,226,795	63,993,853
Total liabilities, deferred inflows of resources and net position	$ 81,344,576	$ 95,582,679	$ 117,769,347

Fiscal Year Ended September 30, 2019

Cash and investments decreased by approximately $10,751,000, or 31.9% from 2018 to 2019. The decrease in cash and investments was due to $10,000,000 of restricted cash that was approved by the Board of Trustees to be released from restrictions and used to refinance the Series 2007 Mortgage Revenue Bonds. Net capital assets decreased by $2,460,374, or 5.9% from 2018 to 2019. The decrease was mainly attributable to a decrease in depreciation from certain assets becoming fully depreciated in 2018 and a change in accounting estimate of the useful lives of the Medical Center's equipment and buildings that will be described in *Note 5*. Long-term debt decreased by approximately $12,866,000, due to the refunding of the Series 2007 Bonds and issuance of the 2019 Bonds.

Fiscal Year Ended September 30, 2018

Cash and investments decreased by approximately $13,301,000, or 28.3% from 2017 to 2018. The decrease in cash and investments was due to slow down of cash collections from the system conversion in September 2017. Net patient accounts receivable decreased by approximately $5,223,000, or 28.8% from 2017 to 2018, due to difficulties in collections from the system conversion, as well as limited collections from uninsured and indigent patients during the year.

Operating Results and Changes in the Medical Center's Net Position

In 2019, the Medical Center's net position increased by $745,597, or 1.6%, as shown in Table 2. This increase is made up of several different components and represents an increase of $19,512,655 compared with the decrease in net position for 2018 of ($19,982,176). The Medical Center's change in net position decreased from $1,215,118 in 2017 to ($18,767,058) in 2018, a decrease of $19,982,176.

Table 2: Operating Results and Changes in Net Assets

	2019	2018	2017
Operating Revenues			
Net patient service revenue	$ 106,811,619	$ 95,715,027	$ 116,990,281
Other operating revenue	2,060,603	2,268,373	1,937,198
Total operating revenues	108,872,222	97,983,400	118,927,479
Operating Expenses			
Salaries and wages and employee benefits	57,654,498	59,897,938	61,244,812
Purchased services and professional fees	17,559,078	16,053,282	14,133,625
Depreciation	3,690,171	8,520,935	7,003,959
Other operating expenses	30,772,316	31,373,778	34,768,101
Total operating expenses	109,676,063	115,845,933	117,150,497
Operating Income (Loss)	(803,841)	(17,862,533)	1,776,982
Nonoperating Revenues (Expenses)			
Noncapital grants and contributions	470,033	275,000	376,982
Investment income	1,236,996	190,415	424,216
Interest expense	(1,213,851)	(1,369,940)	(1,363,062)
Other	1,056,260	-	-
Total nonoperating revenues (expenses)	1,549,438	(904,525)	(561,864)
Increase (Decrease) in Net Position	$ 745,597	$ (18,767,058)	$ 1,215,118

Operating Income or Loss

The first component of the overall change in the Medical Center's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2019, the Medical Center had an operating loss of $803,841 compared to an operating loss of $17,862,533 in 2018. The primary components of the change in operating performance are:

The operating loss for 2019 decreased by $17,058,692, as compared to 2018. The primary components of the decreased operating loss are:

- An increase in net patient service revenue of approximately $11,097,000, or 11.6%. Attributing to this, the Medical Center was designated a sole community hospital by Medicare in February 2019, as well as resolution of other outstanding third-party settlements.
- A decrease in depreciation expense of approximately $4,831,000, or 57%, due to certain assets becoming fully depreciated and change in estimate of useful lives of buildings and equipment that decreased depreciation approximately $1,830,000.
- A decrease in salaries, wages and employee benefits of approximately $2,243,000, or 3.7%.

The operating loss for 2018 increased by $19,639,515, as compared to 2017. The primary components of the decreased operating income are:

- A decrease in net patient service revenue of approximately $21,275,000, or 18.2%, attributed to:
    - Decreases in observation days and emergency room visits of 14.5% and 21.2%, respectively.
    - The provision for uncollectible accounts increased by $3,027,000, or 11.7%, due to an increase in uncollectible patient accounts from the conversion to a new EHR system in September 2017.
    - Decreases in funding from the Mississippi Hospital Access Program (MHAP) of approximately $4,417,000 and decreased state provider tax of approximately $2,558,000 from 2017 and 2018.
- An increase in purchased services and professional fees for the Medical Center of approximately $1,920,000, or 13.6%.
- An increase in depreciation expense of approximately $1,517,000, or 21.7%, due to a full year of additional depreciation from new EHR system implementation.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of noncapital grants and contributions, investment income and interest expense, of which noncapital grants and gifts and interest expense have remained relatively constant from 2017 to 2019. The Medical Center has recognized decreases in its investment income from 2017 to 2018, resulting primarily from decreased cash and investments over this period and changes in fair values. From 2018 to 2019, investment income increased approximately $1,047,000 due to the Medical Center gain on sales of internally designated and held by trustee investments as part of the Series 2007 bond refunding and improved investment returns.

The Medical Center's Cash Flows

Cash provided by (used in) operating activities was approximately $1,260,000, ($6,126,000), and $4,808,000 for 2019, 2018 and 2017, respectively. Cash used in capital and related financing activities increased approximately $7,346,000, due to the refinancing of the Series 2007 bonds. This was funded by cash provided from additional investing activities proceeds of approximately $14,665,000 when compared to 2018. Cash used in capital and related financing activities between 2017 and 2018 decreased approximately $9,416,000, primarily related to the capital expenditures for EHR system implementation during 2017.

Capital Asset and Debt Administration

Capital Assets

At the end of 2019, the Medical Center had $39,234,606 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. During 2019, the Medical Center elected to change its depreciation methodology to reflect the most current expected economic useful lives of the Medical Center's infrastructure decreasing depreciation expense in 2019 by approximately $1,830,000. At the end of 2017, the Medical Center completed its implementation of a new fully integrated new EHR system costing approximately $14,000,000.

Debt

At September 30, 2019, the Medical Center had $15,599,320 in bonds and capital lease obligations outstanding, including current maturities. The Medical Center refunded the Series 2007 bonds payable by issuing refunding bonds in July 2019 (*Note 6*).

Other Economic Factors

Many economic and environmental factors are considered by the Board of Trustees and management. Of primary importance is the status of the local economy and the overall health care environment, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement changes, including continuation or adjustment of disproportionate share programs, such as MHAP.
- Declining population growth in our service area and increasing uninsured and indigent.
- Ability to recruit and retain qualified medical staff, physicians, nurses and other skilled clinical positions and related pressures on salaries and benefits.

- Increasing costs of supplies and pharmaceuticals.

- Stability of the existing local and regional industry and the ability of the community to attract new industry.

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center Business Administration at 662.378.3783 or at 1400 East Union Street, Greenville, MS 38073.

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Balance Sheets
September 30, 2019 and 2018

	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 16,914,411	$ 10,939,727
Internally designated for self insurance - current	628,851	614,355
Patient accounts receivable, net of allowance for doubtful accounts; 2019 - $13,225,000, 2018 - $20,642,000	12,849,294	12,889,692
Supplies	1,894,004	2,165,757
Prepaid expenses	403,779	514,469
Estimated amounts due from third-party payors	1,005,311	-
Other current assets	315,543	1,123,979
Total current assets	34,011,193	28,247,979
Noncurrent Cash and Investments		
Held by trustee for debt service	1,318,832	8,437,307
Internally designated capital improvements	2,677,551	12,204,102
Internally designated for self-insurance	1,364,083	1,458,745
Total noncurrent cash and investments	5,360,466	22,100,154
Capital Assets, Net	39,234,606	41,694,980
Other Assets	2,572,922	2,847,007
Deferred Outflows of Resources	165,389	692,559
Total assets and deferred outflows of resources	$ 81,344,576	$ 95,582,679

Liabilities, Deferred Inflows of Resources and Net Position

	2019	2018
Current Liabilities		
Current maturities of long-term debt	$ 644,677	$ 1,165,047
Accounts payable	3,136,707	2,814,357
Estimated amounts due to third-party payors	-	1,125,230
Accrued salaries and wages	3,441,239	3,527,969
Accrued self-insurance - current	628,851	614,355
Other accrued expenses	2,049,286	2,562,652
Total current liabilities	9,900,760	11,809,610
Net Pension Liability	8,275,729	9,131,126
Accrued Self-insurance	1,524,268	1,758,418
Long-term Debt, Net of Current Maturities	14,954,643	27,300,025
Total liabilities	34,655,400	49,999,179
Deferred Inflows of Resources	716,784	356,705
Net Position		
Net investment in capital assets	24,626,856	15,904,908
Restricted - expendable for debt service	3,412	5,539,023
Restricted - expendable for capital expenditures	330,044	-
Unrestricted	21,012,080	23,782,864
Total net position	45,972,392	45,226,795
Total liabilities, deferred inflows of resources and net position	$ 81,344,576	$ 95,582,679

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2019 - $30,300,000, 2018 - $28,770,000	$ 106,811,619	$ 95,715,027
Other operating revenue	2,060,603	2,268,373
Total operating revenues	108,872,222	97,983,400
Operating Expenses		
Salaries and wages	46,412,065	49,022,986
Employee benefits	11,242,433	10,874,952
Purchased services and professional fees	17,559,078	16,053,282
Supplies and other	25,463,721	25,844,025
State provider tax	5,308,595	5,529,753
Depreciation	3,690,171	8,520,935
Total operating expenses	109,676,063	115,845,933
Operating Loss	(803,841)	(17,862,533)
Nonoperating Revenues (Expenses)		
Noncapital grants and contributions	470,033	275,000
Investment income	1,236,996	190,415
Interest expense	(1,213,851)	(1,369,940)
Proceeds from insurance recoveries	783,041	-
Other	273,219	-
Total nonoperating revenues (expenses)	1,549,438	(904,525)
Increase (Decrease) in Net Position	745,597	(18,767,058)
Net Position, Beginning of Year	45,226,795	63,993,853
Net Position, End of Year	$ 45,972,392	$ 45,226,795

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Operating Activities		
Receipts from and on behalf of patients	$ 104,721,476	$ 100,432,429
Payments to suppliers and others	(48,418,330)	(48,545,095)
Payments to or on behalf of employees	(58,325,639)	(59,581,146)
Other operating receipts	3,282,491	1,567,566
Net cash provided by (used in) operating activities	1,259,998	(6,126,246)
Noncapital Financing Activities		
Noncapital grants and gifts	470,033	275,000
Net cash provided by noncapital financing activities	470,033	275,000
Capital and Related Financing Activities		
Interest payments on long-term debt	(1,416,154)	(1,471,108)
Principal payments on long-term debt	(26,655,046)	(1,105,342)
Proceeds from issuance of long-term debt	14,140,569	-
Purchase of capital assets	(1,435,073)	(4,660,416)
Proceeds from insurance recoveries	783,041	-
Net cash used in capital and related financing activities	(14,582,663)	(7,236,866)
Investing Activities		
Purchases of investments	(2,665,668)	(3,443,109)
Proceeds from sale of investments	17,670,683	5,876,387
Proceeds from return of capital from workers' compensation subscription	243,128	-
Premiums paid from capital account for workers' compensation subscription	-	(403,329)
Proceeds from guaranteed investment contract termination	622,000	-
Investment income	1,200,370	375,607
Net cash provided by investing activities	17,070,513	2,405,556
Increase (Decrease) in Cash and Cash Equivalents	4,217,881	(10,682,556)
Cash and Cash Equivalents, Beginning of Year	16,134,702	26,817,258
Cash and Cash Equivalents, End of Year	$ 20,352,583	$ 16,134,702

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 16,914,411	$ 10,939,727
Restricted cash - current	628,851	614,355
Noncurrent cash and investments	2,809,321	4,580,620
Total cash and cash equivalents	$ 20,352,583	$ 16,134,702
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (803,841)	$ (17,862,533)
Depreciation	3,690,171	8,520,935
Loss on disposal of capital assets	216,528	-
Accrued self-insurance costs	(219,654)	500,727
Provision for uncollectible accounts	30,299,692	28,769,620
Changes in operating assets and liabilities		
Patient accounts receivable	(30,259,294)	(23,546,579)
Accounts payable and accrued expenses	(170,488)	(1,842,481)
Estimated amounts due to third-party payors	(2,130,541)	(505,639)
Net pension liability	(855,397)	(736,224)
Deferred inflows of resources	(256,184)	354,738
Deferred outflows of resources	527,170	759,360
Other assets and liabilities	1,221,836	(538,170)
Net cash provided by (used in) operating activities	$ 1,259,998	$ (6,126,246)
Noncash Capital and Financing Activities		
Capital assets acquisitions included in accounts payable	$ 4,527	$ 15,779
Unrealized gain (loss) on investments	$ 36,626	$ (202,116)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Delta Regional Medical Center (the Medical Center) is an acute care Medical Center located in Greenville, Mississippi. The Medical Center is a component unit of Washington County (the County), and the Board of County Commissioners appoints members to the Board of Trustees (the Board) of the Medical Center. The Medical Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Washington County area. It also operates physician, outpatient and rehabilitation facilities in the same geographic area.

Budgetary Information

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

Basis of Accounting and Presentation

The financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposits.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Medical Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost or market. Cost are determined using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimate useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land improvements	5 - 20 years
Buildings and leasehold improvements	5 - 47 years
Fixed equipment	5 - 25 years
Major moveable equipment	5 - 20 years

Refer to *Note 5* regarding change in depreciation method during 2019.

Capital Asset Impairment

The Medical Center evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the years ended September 30, 2019 or 2018.

Deferred Outflows and Deferred Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources. At September 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources were comprised of the following:

	Deferred Outflows of Resources	
	2019	2018
Pension plan *(Note 12)*	$ 165,389	$ 692,559

	Deferred Inflows of Resources	
	2019	2018
Pension plan *(Note 12)*	$ 397,462	$ 356,705
Deferred gain on debt refunding *(Note 6)*	319,322	-
	$ 716,784	$ 356,705

Compensated Absences

Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheets date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, workers' compensation and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center is self-insured for a portion of its exposure to risk of loss from medical malpractice, workers' compensation and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice, workers' compensation and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Defined Benefit Pension Plan

The Medical Center has a single-employer defined benefit pension plan, Delta Regional Medical Center Pension Plan (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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 reported at fair value.

Net Position

Net position of the Medical Center is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable.

Net 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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

Revisions

Certain immaterial revisions have been made to the 2018 financial statements to revise the presentation of cash flows from investing activities to present gross purchases of investments and proceeds from sale of investments. These revisions did not have a significant impact on the financial statement line items impacted.

Note 2: Net 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. These payment arrangements include:

Medicare - Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

Medicaid **-** Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge.

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

Effective in 2016, the Division of Medicaid (DOM) implemented the MHAP program. The MHAP program is administered by the DOM through the Mississippi CAN coordinated care organizations (CCO). The CCOs 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, 2019 and 2018, the Medical Center received $12,687,721 and $12,578,527, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments with the related tax assessment of $5,308,595 and $5,529,753 recorded in operating expenses for the years ended September 30, 2019 and 2018, respectively.

Approximately 81% and 80% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Medical Center's deposit policy for custodial credit risk requires compliance with the provisions of Mississippi state law. The collateral for public entities deposited 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 Deposit Insurance Corporation (FDIC). All deposits with financial institutions must be collateralized in an amount equal to 105% of uninsured deposits and are therefore fully insured. The collateralized and insured bank balance was $19,187,893 and $16,993,269 at September 30, 2019 and 2018, respectively.

Investments

The statues of the State of Mississippi restrict the authorized investments of the Medical Center to obligations of the U.S. Treasury, agencies and instrumentalities and certain other types of investments. The Medical Center's investment policy further limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

At September 30, 2019 and 2018, the Medical Center had the following investments and maturities:

	September 30, 2019				
		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Money market mutual funds	$ 1,221,287	$ 1,221,287	$ -	$ -	$ -
		$ 1,221,287	$ -	$ -	$ -
Mississippi Hospital Association - Intermediate Duration Trust	2,551,145				
	$ 3,772,432				

	September 30, 2018				
		Maturities in Years			
Type	Fair Value	Less than 1	1-5	6-10	More than 10
Mortgage-backed securities	$ 3,531,078	$ -	$ 1,465,268	$ 2,065,810	$ -
U.S. Treasury securities	7,409,657	2,701,511	4,708,146	-	-
Municipal bonds	3,700,068	-	2,316,679	1,383,389	-
Money market mutual funds	778,774	778,774	-	-	-
		$ 3,480,285	$ 8,490,093	$ 3,449,199	$ -
Mississippi Hospital Association -					
Intermediate Duration Trust	2,378,731				
	$ 17,798,308				

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Medical Center's investment policy limits at least its investment portfolio to maturities not to exceed ten years. The weighted average maturity of the portfolio may not exceed five years. The money market mutual funds are presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Medical Center's investment policy limits its investment in fixed income securities to maintain an overall credit rating of A or better by Moody's Investor Service and Standard & Poor's. No individual investments are to be held below investment grade (Baa/BBB). Investments included, within established guidelines and Mississippi state law, are limited to securities of the U.S. government or its agencies, U.S. government obligations, U.S. and Mississippi municipal bonds, interest-bearing accounts and certificates of deposits of financial institutions, open-end or closed-end management type investment company or investment trust and an investment trust consisting of pooled or commingled funds of other hospitals.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - In accordance with state statute, the Medical Center restricts investments in U.S. agencies to 50% of total investments. Investments in open-end and closed-end management type investment companies and investment trusts are limited to 20% of total investments.

Summary of Carrying Values

The carrying values of deposits and investments are as follows:

	2019	2018
Deposits		
Cash	$ 19,131,296	$ 15,355,928
Certificate of deposit	-	500,000
	19,131,296	15,855,928
Investments		
Money market mutual funds	1,221,287	778,774
Mississippi Hospital Association - Intermediate Duration Trust	2,551,145	2,378,731
Debt securities	-	10,940,735
Municipal bonds	-	3,700,068
	3,772,432	17,798,308
	$ 22,903,728	$ 33,654,236

The carrying values of deposits and investments shown above included in the balance sheets are as follows:

	2019	2018
Cash and cash equivalents	$ 16,914,411	$ 10,939,727
Restricted cash - current	628,851	614,355
Noncurrent cash and investments	5,360,466	22,100,154
	$ 22,903,728	$ 33,654,236

Investment Income

Investment income for the years ended September 30 consisted of:

	2019	2018
Interest and dividend income	$ 806,781	$ 375,607
Realized gains on investments, net	393,589	16,924
Unrealized gains (losses) on investments	36,626	(202,116)
	$ 1,236,996	$ 190,415

Note 4: Patient Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at September 30 consisted of:

	2019	2018
Medicare	$ 5,677,458	$ 5,423,322
Medicaid	3,202,456	2,587,759
Other third-party payors	3,486,489	3,113,438
Patients	13,707,482	22,407,071
	26,073,885	33,531,590
Less allowance for uncollectible accounts	13,224,591	20,641,898
	$ 12,849,294	$ 12,889,692

Note 5: Capital Assets

Capital assets activity for the years ended September 30 was:

	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 4,677,347	$ -	$ -	$ -	$ 4,677,347
Land improvements	860,754	-	-	-	860,754
Building	42,929,717	-	(3,268,804)	1,554,399	41,215,312
Fixed equipment	12,077,437	236,507	(3,244,534)	-	9,069,410
Equipment	82,263,184	586,187	-	-	82,849,371
Construction in progress	2,065,033	623,631	-	(1,720,141)	968,523
	144,873,472	1,446,325	(6,513,338)	(165,742)	139,640,717
Less accumulated depreciation					
Land improvements	(763,054)	(9,622)	-	-	(772,676)
Building	(29,614,193)	(783,276)	3,218,018	-	(27,179,451)
Fixed equipment	(11,183,992)	(64,187)	3,244,534	-	(8,003,645)
Equipment	(61,617,253)	(2,833,086)	-	-	(64,450,339)
	(103,178,492)	(3,690,171)	6,462,552	-	(100,406,111)
Capital assets, net	$ 41,694,980	$ (2,243,846)	$ (50,786)	$ (165,742)	$ 39,234,606

During 2019, the Medical Center elected to change its depreciation methodology to reflect the most current expected economic useful lives of the Medical Center's infrastructure. The election was made to better match the Medical Center's usage of these capital assets with the revenues generated over their economic useful lives. The effect of the change during 2019 was a decrease in depreciation expense and an increase in change in net position of $1,830,311.

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Notes to Financial Statements
September 30, 2019 and 2018

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 4,677,347	$ -	$ -	$ -	$ 4,677,347
Land improvements	860,754	-	-	-	860,754
Building	42,858,778	-	-	70,939	42,929,717
Fixed equipment	12,077,437	-	-	-	12,077,437
Equipment	67,016,207	835,996	-	14,410,981	82,263,184
Construction in progress	12,706,754	3,840,199	-	(14,481,920)	2,065,033
	140,197,277	4,676,195	-	-	144,873,472
Less accumulated depreciation					
Land improvements	(740,709)	(22,345)	-	-	(763,054)
Building	(28,047,595)	(1,566,598)	-	-	(29,614,193)
Fixed equipment	(11,118,332)	(65,660)	-	-	(11,183,992)
Equipment	(54,750,921)	(6,866,332)	-	-	(61,617,253)
	(94,657,557)	(8,520,935)	-	-	(103,178,492)
Capital assets, net	$ 45,539,720	$ (3,844,740)	$ -	$ -	$ 41,694,980

At September 30, 2019 and 2018, construction in progress represents costs incurred in connection with various construction projects related to consolidating campuses. The costs for these projects will be funded through operations.

Note 6: Long-term Debt

The following is a summary of long-term obligation transactions for the Medical Center for the years ended September 30:

Description	Balance October 1, 2018	Additions	Payments	Amortization	Balance September 30, 2019	Due Within One Year
FHA-insured Mortgage Revenue Bonds - Series 2007	$ 26,615,000	$ -	$ 26,615,000	$ -	$ -	$ -
Sarulla property	929,366	-	40,046	-	889,320	44,677
Unamortized bond premium - FHA	920,706	-	-	920,706	-	-
Hospital Revenue and Limited Obligation Funding Bonds - Series 2019	-	14,710,000	-	-	14,710,000	600,000
	$ 28,465,072	$ 14,710,000	$ 26,655,046	$ 920,706	$ 15,599,320	$ 644,677

Description	Balance October 1, 2017	Additions	Payments	Amortization	Balance September 30, 2018	Due Within One Year
FHA-insured Mortgage Revenue Bonds - Series 2007	$ 27,680,000	$ -	$ 1,065,000	$ -	$ 26,615,000	$ 1,125,000
Sarulla property	969,708	-	40,342	-	929,366	40,047
Unamortized bond premium	1,021,874	-	-	101,168	920,706	-
	$ 29,671,582	$ -	$ 1,105,342	$ 101,168	$ 28,465,072	$ 1,165,047

Hospital Revenue and Limited Obligation Refunding Bonds – Series 2019

On July 31, 2019, Hospital Revenue and Limited Obligation Refunding Bonds – Series 2019 (Series 2019 Bonds) were issued in the original amount of $14,710,000, bearing interest at 4.25%. The proceeds from the bonds are to be used for the purposes of the refunding of all of the outstanding Series 2007 Bonds. The bonds are payable in annual installments through September 2036. The Series 2019 Bonds are secured by net revenues and accounts receivable of the Medical Center and the restricted assets under the bond resolution and private placement agreement.

FHA-insured Mortgage Revenue Bonds – Series 2007

The Series 2007 revenue bonds payable consist of Mississippi Medical Center Equipment and Facilities Authority, FHA-insured Mortgage Revenue Bonds (Series 2007 Bonds) in the original amount of $35,725,000 dated February 2007, which bear interest at 4.7% to 6.25%. 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. The Series 2007 Bonds are payable in annual installments through August 2033. The Series 2007 Bonds are secured by the net revenues and accounts receivable of the Medical Center and the assets restricted under the bond indenture agreement. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer.

On July 31, 2019, the Medical Center issued the Series 2019 Bonds with an interest rate of 4.25% to advance refund the Series 2007 Bonds, with an average interest rate of 5%. The net proceeds of the $14,043,023 (after payment of $569,431 in underwriting fees and other issuance costs and deposit of $97,546 in cost of issuance fund) plus an additional $10,104,444 and $1,457,125 of Series 2007 Debt Service Reserve Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2007 Bonds. As a result, the 2007 Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the Medical Center’s balance sheets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $320,000. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to interest expense through the year 2033 using the effective-interest method. The Medical Center completed the advance refunding to free up restricted cash flows and reduce its total debt service payments. Total debt service payments will be reduced by $15,748,688 over the next 17 years, in addition to generating an economic gain between the present values of the old and new debt service payments of $583,508.

The debt service requirements of the bonds as of September 30, 2019, were as follows:

Year Ending September 30	Total to be Paid	Principal	Interest
2020	$ 914,324	$ 600,000	$ 314,324
2021	1,229,675	630,000	599,675
2022	1,227,900	655,000	572,900
2023	1,230,063	685,000	545,063
2024	1,230,950	715,000	515,950
2025-2029	6,161,950	4,065,000	2,096,950
2030-2034	6,185,150	5,030,000	1,155,150
2035-2036	2,479,600	2,330,000	149,600
	$ 20,659,612	$ 14,710,000	$ 5,949,612

Capital Lease Obligations

The Medical Center is obligated under leases for buildings and equipment that are accounted for as capital leases. Assets under capital leases at both September 30, 2019 and 2018, totaled $1,145,500. Upon maturity of the capital lease obligation for leased land, the ownership of the land is transferred to the Medical Center.

The following is a schedule by year of future minimum lease payments under the capital lease, including interest at rates of 7% together with the present value of the future minimum lease payments as of September 30, 2019:

Year Ending September 30		
2020	$	105,554
2021		114,204
2022		114,204
2023		114,204
2024		114,204
2025-2029		618,620
2030-2033		101,649
		1,282,639
Less amount representing interest		393,319
Present value of future minimum lease payments	$	889,320

Note 7: Medical Malpractice Claims

The Medical Center is self-insured for the first $500,000 of professional and general liability insurance. The Mississippi Tort Claims Act (MCTA) provides a cap of $500,000 on the amount of damages recoverable against governmental entities, including governmental hospitals. Losses from asserted and unasserted claims identified under the Medical Center’s incident reporting system are accrued based on estimates that incorporate the Medical Center’s past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Medical Center’s estimate of losses will change by a material amount in the near term.

Activity in the Medical Center's accrued medical malpractice claims liability during 2019 and 2018 is summarized as follows:

	2019	2018
Balance, beginning of year	$ 1,977,596	$ 1,601,210
Current year claims incurred and changes in estimates for claims incurred in prior years	574,800	972,895
Claims and expenses paid	(604,904)	(596,509)
Balance, end of year	$ 1,947,492	$ 1,977,596

Note 8: Employee Health Claims

Substantially all of the Medical Center's employees and their dependents are eligible to participate in the Medical Center's employee health insurance plan. The Medical Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported (included within accounts payable in the accompanying balance sheets). The accrual is estimated based on consideration of prior claims' experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

	2019	2018
Balance, beginning of year	$ 478,145	$ 439,206
Current year claims incurred and changes in estimates for claims incurred in prior years	3,425,315	2,661,787
Claims and expenses paid	(3,673,560)	(2,622,848)
Balance, end of year	$ 229,900	$ 478,145

Note 9: Workers' Compensation Coverage

The Medical Center is self-insured for the risk of loss related to workers' compensation for injuries to its employees. Excess coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured workers' compensation claims, including both claims reported, and claims incurred but not reported. A summary of changes in the Medical Center's self-insurance liability for workers' compensation coverage (included in accrued self-insurance in the accompanying balance sheets) for fiscal 2019 and 2018, follows:

	2019	2018
Balance, beginning of year	$ 395,177	$ 270,836
Provision for claims reported and claims incurred but not reported	(85,705)	268,919
Claims and expenses paid	(103,845)	(144,578)
Balance, end of year	$ 205,627	$ 395,177

Note 10: Charity Care

The costs of charity care provided under the Medical Center's charity care policy were approximately $431,000 and $385,000 for 2019 and 2018, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 11: Operating Leases

The Medical Center leases various equipment and facilities under operating leases expiring at various dates through 2025. Total rental expense for the years ended September 30, 2019 and 2018, for all operating leases was approximately $1,032,000 and $1,043,000, respectively.

Future minimum lease payments at September 30, 2019, were:

2020	$ 781,673
2021	474,316
2022	474,316
2023	474,316
2024	474,316
Thereafter	474,316
Future minimum lease payments	$ 3,153,253

Note 12: Pension Plans

Defined Benefit Pension Plan Description

The Medical Center contributes to the Delta Regional Medical Center Pension Plan (the Plan), a single-employer defined benefit pension plan covering substantially all employees. The Plan is administered by a board of trustees appointed by the Director of the Medical Center's Department of Human Resources. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Medical Center's Board of Trustees. The Plan benefits were effectively frozen by amendment to the plan on February 1, 2009. The Plan does not issue a separate report that includes financial statements and required supplementary information for the Plan.

Benefits Provided

The Plan provides retirement and death benefits to plan members and their beneficiaries 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% 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 employees covered by the Plan at June 30, 2019 and 2018, were:

	2019	2018
Active employees	293	353
Inactive employees entitled to but not yet receiving benefits	481	469
Inactive employees or beneficiaries currently receiving benefits	316	276
	1,090	1,098

Contributions

The Medical Center's Board of Trustees has the authority to establish and amend the contribution requirements of the Medical Center and active employees. The Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Medical Center is required to contribute amounts necessary to fund the Plan at an actuarially determined rate. For the years ended September 30, 2019 and 2018, the Medical Center contributed approximately $1,344,000 and $996,000, respectively, to the Plan.

Net Pension Liability

The Medical Center's net pension liability was measured as of June 30, 2019 and 2018, for the years ended September 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2018 and 2017, respectively, rolled forward to June 30, 2019 and 2018, respectively.

The total pension liability in the July 1, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00%
Ad hoc cost-of-living adjustments	None
Investment rate of return	6.50%, net of interest expense

Mortality rates were based on the RP-2000 Mortality for Employee, Healthy Annuitants and Disabled Annuitants with generational projection per Scale AA.

The Medical Center has not had a formal actuarial experience study performed.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. cash	6.26%	0.57%
U.S. core fixed income	46.81%	1.45%
U.S. large caps	37.77%	4.43%
Global equity	7.99%	5.37%
U.S. REITs	1.17%	5.03%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the Medical Center’s contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability were:

	2019		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	$ 28,090,317	$ 18,959,191	$ 9,131,126
Changes for the year			
Service cost	-	-	-
Interest	1,777,663	-	1,777,663
Differences between expected and actual experience	303,214	-	303,214
Benefit payments	(1,507,059)	(1,507,059)	-
Employer contributions	-	1,344,000	(1,344,000)
Net investment income	-	1,592,274	(1,592,274)
Net changes	573,818	1,429,215	(855,397)
Balance, end of year	$ 28,664,135	$ 20,388,406	$ 8,275,729

	2018		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	$ 28,126,880	$ 18,259,530	$ 9,867,350
Changes for the year			
Service cost	42,046	-	42,046
Interest	1,789,547	-	1,789,547
Differences between expected and actual experience	(572,890)	-	(572,890)
Benefit payments	(1,295,266)	(1,295,266)	-
Employer contributions	-	1,002,664	(1,002,664)
Net investment income	-	992,263	(992,263)
Net changes	(36,563)	699,661	(736,224)
Balance, end of year	$ 28,090,317	$ 18,959,191	$ 9,131,126

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the Medical Center has been calculated using a discount rate of 6.50%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Medical Center's net pension liability	$ 11,675,372	$ 8,275,729	$ 5,448,972

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2019 and 2018, the Medical Center recognized pension expense of $1,056,530 and $1,578,539, respectively. At September 30, 2019 and 2018, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 165,389	$ (140,520)
Net difference between projected and actual earnings on pension plan investments	-	(256,942)
Contributions made subsequent to measurement date	-	-
	$ 165,389	$ (397,462)

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 513,941	$ (356,705)
Net difference between projected and actual earnings on pension plan investments	178,618	-
Contributions made subsequent to measurement date	-	-
	$ 692,559	$ (356,705)

At September 30, 2019, the Medical Center reported $0 as deferred outflows of resources related to the pension resulting from the Medical Center's contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2019, related to pensions will be recognized in pension expense as follows:

2020	$ (48,011)
2021	(75,057)
2022	(35,978)
2023	(73,027)
2024	-
	$ (232,073)

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in

Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The fair values of the Medical Center's pension plan assets at September 30, 2019 and 2018, by asset class are as follows:

		Fair Value Measurements Using		
June 30, 2019	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments				
Mutual funds	$ 20,073,429	$ 20,073,429	$ -	$ -
Money market mutual funds	314,977	314,977	-	-
	$ 20,388,406	$ 20,388,406	$ -	$ -

		Fair Value Measurements Using		
June 30, 2018	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments				
Mutual funds	$ 18,483,619	$ 18,483,619	$ -	$ -
Money market mutual funds	475,572	475,572	-	-
	$ 18,959,191	$ 18,959,191	$ -	$ -

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - The Medical Center places no limit on the amount that may be invested in any one issuer.

Defined Contribution Pension Plan

The Medical Center contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Medical Center's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Director of the Medical Center's Department of Human Resources, appointed by Board of Trustees. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Medical Center's governing body. Contributions made by the Medical Center were $650,777 during 2019 and $652,379 during 2018.

Deferred Compensation Agreements

The Medical Center also provides deferred compensation agreements for certain employees. The funds are currently being held in various securities and managed by a third-party administrator. The plan is administered under Section 457(b) of the Internal Revenue Code. Upon termination or retirement, the participant may elect to withdraw their funds. As of September 30, 2019 and 2018, these assets and related liabilities are held in a separate trust.

Note 13: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at September 30, 2019 and 2018, consist of:

	2019	2018
Payable to suppliers and contractors	$ 4,714,109	$ 4,672,098
Payable to employees (including payroll taxes and benefits	3,913,123	4,232,880
	$ 8,627,232	$ 8,904,978

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

		Fair Value Measurements Using		
September 30, 2019	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments				
Money market mutual funds	$ 1,221,287	$ 1,221,287	$ -	$ -
Mississippi Hospital Association - Intermediate Duration Trust	2,551,145	-	2,551,145	-
	$ 3,772,432	$ 1,221,287	$ 2,551,145	$ -

September 30, 2018	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market mutual funds	$ 778,774	$ 778,774	$ -	$ -
Mississippi Hospital Association - Intermediate Duration Trust	2,378,731	-	2,378,731	-
Mortgage-backed securities	3,531,078	-	3,531,078	-
U.S. bond securities	7,409,657	-	7,409,657	-
Municipal bonds	3,700,068	-	3,700,068	-
	$17,798,308	$ 778,774	$ 17,019,534	$ -

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 15: Commitments and Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 7*.

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts.

The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Pension Obligations

The Medical Center has a noncontributory defined benefit pension plan, whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Medical Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

Note 16: Future Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) recently issued its Statement No. 87 (GASB No. 87), *Leases*. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Medical Center expects to first apply GASB No. 87 during the year ending September 30, 2021. The impact of applying the Statement has not been determined.

GASB recently issued its Statement No. 84 (GASB No. 84), *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments, including pension and employee benefit trusts. The focus of the criteria generally is on (1) whether a government controls the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 is applicable during the year ending September 30, 2020. The impact of applying this Statement has not yet been determined.

Required Supplementary Information

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Schedule of Changes in the Medical Center's Net Pension Liability and Related Ratios
Years Ended September 30

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ -	$ 42,046	$ 56,525	$ 441,695	$ 490,706
Interest	1,777,663	1,789,547	1,751,794	1,598,830	1,547,795
Differences between expected and actual experience	303,214	(572,890)	1,782,929	(194,015)	(95,165)
Benefit payments	(1,507,059)	(1,295,266)	(1,133,330)	(1,038,177)	(983,322)
Net change in total pension liability	573,818	(36,563)	2,457,918	808,333	960,014
Total pension liability - beginning	28,090,317	28,126,880	25,668,962	24,860,629	23,900,615
Total pension liability - ending	28,664,135	28,090,317	28,126,880	25,668,962	24,860,629
Plan Fiduciary Net Position					
Employer contributions	1,344,000	1,002,664	1,083,329	1,338,128	838,590
Net investment income	1,592,274	992,263	1,428,854	752,788	429,704
Benefit payments	(1,507,059)	(1,295,266)	(1,133,330)	(1,038,177)	(983,322)
Administrative expense	-	-	-	(27,241)	(28,627)
Net change in plan fiduciary net position	1,429,215	699,661	1,378,853	1,025,498	256,345
Plan fiduciary net position - beginning	18,959,191	18,259,530	16,880,677	15,855,179	15,598,834
Plan fiduciary net position - ending	20,388,406	18,959,191	18,259,530	16,880,677	15,855,179
Medical Center's net pension liability - ending	$ 8,275,729	$ 9,131,126	$ 9,867,350	$ 8,788,285	$ 9,005,450
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.13%	67.49%	64.92%	65.76%	63.78%
Covered Employee Payroll	$ 15,529,549	$ 15,803,760	$ 18,481,088	$ 20,365,267	$ 22,586,180
Net Pension Liability as a Percentage of Covered Employee Payroll	53.29%	57.78%	53.39%	43.15%	39.87%

Note to Schedule: This schedule is intended to show a 10-year trend and is presented on the measurement date of the net pension liability. Additional years will be reported as they become available.

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Schedule of the Medical Center's Contributions
Years Ended September 30,

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a % of Covered Payroll
2019	$ 836,141	$ 1,344,000	$ (507,859)	$ 15,529,549	8.65%
2018	655,860	995,969	(340,109)	15,803,760	6.30%
2017	953,390	953,390	-	18,481,088	5.16%
2016	969,968	969,968	-	20,365,267	4.76%
2015	939,446	939,446	-	22,586,180	4.16%
2014	944,920	944,920	-	25,120,081	3.76%
2013	1,071,487	1,071,487	-	27,546,026	3.89%
2012	1,082,409	1,082,409	-	26,593,764	4.07%
2011	931,812	931,812	-	25,730,054	3.62%
2010	746,189	746,189	-	26,112,402	2.86%

Notes to Schedule:

Valuation date: July 1, 2018
Measurement date: June 30, 2019
Methods and assumptions used to determine contribution rates:
- Actuarial cost method: Entry age normal
- Amortization method: Level percentage, closed periods
- Amortization period: 17 years
- Amortization growth rate: 3.50%
- Asset valuation method:
  - Smoothing record: 3 years
  - Recognition method: non-asymptotic
  - Corridor: 80% to 120%
- Inflation: 3.00%
- Salary increases, including inflation: 5.00%
- Investment rate of return: 6.50%
- Retirement age: 65
- Mortality: RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per scale AA

Other Information

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Schedule of Surety Bonds for Officers and Employees
September 30, 2019

Name	Position	Company		Amount of Bond
Sylvia Jackson	Trustee	Liberty Mutual Insurance Company	$	100,000
Mildred Crockett	Trustee	Liberty Mutual Insurance Company		100,000
James Hollowell	Trustee	Liberty Mutual Insurance Company		100,000
Howard Sanders	Trustee	Liberty Mutual Insurance Company		100,000
Sam Newsom	Trustee	Liberty Mutual Insurance Company		100,000
Jamelda Fulton	Trustee	Liberty Mutual Insurance Company		100,000
Henry Rucker	Trustee	Liberty Mutual Insurance Company		100,000
Scott Christensen	Chief Executive Officer	Liberty Mutual Insurance Company		100,000

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Delta Regional Medical Center
Greenville, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Delta Regional Medical Center (the Medical Center), a component unit of Washington County, Mississippi, which comprise the balance sheet as of September 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 24, 2019, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

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 (internal control) to determine the audit 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-01 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Medical Center's Response to Finding

The Medical Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Medical Center's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
December 24, 2019

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Schedule of Findings and Responses
Year Ended September 30, 2019

Reference Number	Finding
2019-01	***Criteria or Specific Requirement* -** Management is responsible for establishing and maintaining effective internal controls over financial reporting to appropriately estimate the net collections of patient accounts receivable as of year-end.

***Condition* -** Estimates of net collections of patient accounts receivable were significantly overstated. Adjustments were proposed and recorded to allowance for contractual adjustments and allowance for uncollectible accounts to properly state net patient accounts receivable based on available information.

***Effect* -** Valuation of net patient accounts receivable was overstated. Journal entries were required to adjust the expected net collections of net patient accounts receivable at year-end.

***Cause* -** The Medical Center collections trends were different than reserves recorded throughout the year. Revisions to the inputs and valuation methodology were necessary to appropriately estimate expected collections of net patient accounts receivable at year-end.

***Recommendation* -** Management should review and revise as necessary valuation methodology utilized to estimate net collections of net patient accounts receivable.

***View of Responsible Officials and Planned Corrective Actions* -** Management understands the importance of reliable and accurate estimations of net collections from patient accounts receivable in order to appropriately represent the year-end financial position of the Medical Center. Management has reviewed its methodology for calculating estimates of net collections from patient accounts receivable and has made additional revisions. In addition to using fully adjudicated patient account data to determine the most accurate current payment rates by financial class and payor, management has implemented additional balance sheet based analytics. These new tools mirror techniques used in the audit and are used to confirm estimated collections.

Delta Regional Medical Center
A Component Unit of Washington County, Mississippi
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2018

Reference Number	Summary of Findings	Status
2018-01	Management is responsible for establishing and maintaining effective internal controls over financial reporting to appropriately estimate the net collections of patient accounts receivable as of year-end.	Not corrected. Management continues to review and adjust its methodology valuing net collections of patient accounts receivable to further improve reasonableness of estimates. (See 2019-01)
2018-02	Management is responsible for establishing and maintaining effective internal controls over financial reporting to appropriately represent the balance sheet at year-end.	Corrected.