

OKTIBBEHA COUNTY HOSPITAL  
D/B/A  
OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
STARKVILLE, MISSISSIPPI

CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2015



OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Consolidated Financial Statements and Additional Information  
September 30, 2015

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**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

## Independent Auditors' Report

Board of Trustees  
Oktibbeha County Hospital  
D/B/A OCH Regional Medical Center and Subsidiary  
Starkville, Mississippi

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary, a component unit of Oktibbeha County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and the related notes to consolidated financial statements, which collectively comprise Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary's basic financial statements as listed in the 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of OCH/SCW Mammography, LLC, a majority-owned subsidiary. Those statements were compiled by other accountants, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in OCH/SCW Mammography, LLC, is based solely on the report of the other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, based on our audit and the report of the other accountants, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary, a component unit of Oktibbeha County, Mississippi, as of September 30, 2015 and 2014 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 1, the consolidated financial statements present only the financial information of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary and do not purport to, and do not, present fairly the financial position of Oktibbeha County, Mississippi as of September 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis (pages 4 to 9) 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2015 and 2014, and the schedule of surety bonds for officials and

employees (pages 32 to 37) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2015 and 2014, and the schedule of surety bonds for officials and employees are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2015 and 2014, and the schedule of surety bonds for officials and employees are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2016, on our consideration of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary's internal control over financial reporting and compliance.

Eupora, Mississippi  
January 16, 2016

*Watkins Ward and Stafford, PLLC*

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2015, and 2014**

Our discussion and analysis of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary's financial performance provides an overview of the hospital's financial activities for the fiscal years ended September 30, 2015 and 2014. Please read it in conjunction with the hospital's consolidated financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- ◆ The hospital's net position increased in 2015 by \$2,955,081, or 3.34%, and increased in 2014 by \$1,128,660, or 1.29%.
- ◆ The hospital reported an operating income in 2015 of \$2,828,789, and an operating income of \$1,471,408 in 2014. Operating income increased in 2015 by \$1,357,381, compared to the operating income reported in 2014. Operating income in 2014 increased by \$2,733,824, compared to the operating loss in 2013.
- ◆ Nonoperating expenses decreased by \$250,141, or 12.88%, in 2015 compared to 2014. Nonoperating expenses decreased in 2014 by \$354,596, or 15.44% compared to 2013.
- ◆ Nonoperating revenues increased by \$242,462, or 15.48% in 2015 compared to 2014. Nonoperating revenues increased by \$29,080, or 1.89% in 2014 compared to 2013.

**USING THIS ANNUAL REPORT**

The hospital's consolidated financial statements consist of three statements – the Consolidated Statements of Net Position; the Consolidated Statements of Revenues, Expenses, and Changes in Net Position; and the Consolidated Statements of Cash Flows. These consolidated financial statements and related notes provide information about the activities of the hospital, including resources held by the hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

**The Consolidated Statements of Net Position and Consolidated Statements of Revenues, Expenses, and Changes in Net Position**

Our analysis of the hospital finances begins on page 5. One of the most important questions asked about the hospital's finances is, "Is the hospital as a whole better or worse off as a result of the year's activities?" The Consolidated Statements of Net Position and Consolidated Statements of Revenues, Expenses, and Changes in Net Position report information about the hospital'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. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2015, and 2014**

**USING THIS ANNUAL REPORT (Continued)**

These two statements report the hospital's net position and changes in them. You can think of the hospital's net position – the difference between assets and liabilities – as one way to measure the hospital's financial health, or financial position. Over time, increases or decreases in the hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of the hospital.

**The Consolidated Statements of Cash Flows**

The final required statement is the Consolidated Statements of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing 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 balance during the reporting period?"

**THE HOSPITAL'S NET POSITION**

The hospital's net position is the difference between its assets and liabilities reported in the Consolidated Statements of Net Position on pages 10 and 11. The hospital's net position increased in 2015 by \$2,955,081, or 3.34%, and increased in 2014 by \$1,128,660, or 1.29% as shown in **Table 1**.



**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2015, and 2014**

**THE HOSPITAL'S NET POSITION (CONTINUED)**

**Table 1: Assets, Liabilities and Net Position**

	2015	2014	2013
<b>Assets:</b>			
Current assets	\$ 28,889,786	\$ 25,872,503	\$ 21,052,887
Capital assets, net	61,532,582	64,593,974	68,561,899
Other assets	1,028,566	1,176,757	1,264,121
Other noncurrent assets	24,412,111	21,778,892	23,601,852
<b>Total Assets</b>	<u>115,863,045</u>	<u>113,422,126</u>	<u>114,480,759</u>
<b>Liabilities:</b>			
Current liabilities	11,045,387	9,635,328	9,319,857
Long-term debt outstanding	13,290,976	15,205,652	17,710,833
Minority interest in subsidiary	60,777	70,322	67,905
<b>Total Liabilities</b>	<u>24,397,140</u>	<u>24,911,302</u>	<u>27,098,595</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	46,177,066	47,547,324	50,147,573
Restricted:			
Restricted under bond agreement	1,350,102	1,382,306	1,702,761
Restricted for liability risk	3,986,854	3,900,280	3,497,022
Unrestricted	39,951,883	35,680,914	32,034,808
<b>Total Net Position</b>	<u>91,465,905</u>	<u>88,510,824</u>	<u>87,382,164</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 115,863,045</u>	<u>\$ 113,422,126</u>	<u>\$ 114,480,759</u>

The change in the hospital's assets is due to several factors. Cash increased by \$1,140,530, or 21.78%, compared to 2014. Patient accounts receivable, net of estimated uncollectibles and allowances, increased by \$1,942,990, or 11.97%, compared to 2014. Board restricted funds increased by \$2,610,289 or 14.67% compared to 2014.

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2015, and 2014**

**Table 2: Operating Results**

	2015	2014	2013
<b>Operating Revenues:</b>			
Net patient service revenues	\$ 70,989,370	\$ 64,323,000	\$ 61,055,636
Other revenues	2,241,270	2,287,446	2,235,409
Electronic health records incentive	503,645	785,104	1,537,790
Total Operating Revenues	<u>73,734,285</u>	<u>67,395,550</u>	<u>64,828,835</u>
<b>Operating Expenses:</b>			
Salaries and benefits	40,069,839	37,791,661	39,072,031
Supplies and drugs	13,599,348	11,980,237	11,340,262
Other operating expenses	11,441,792	10,127,194	9,268,780
Insurance	162,306	228,022	465,800
Depreciation and amortization	5,632,211	5,797,028	5,944,378
Total Operating Expenses	<u>70,905,496</u>	<u>65,924,142</u>	<u>66,091,251</u>
<b>Operating Income (Loss)</b>	<u>2,828,789</u>	<u>1,471,408</u>	<u>( 1,262,416)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Contributions	2,125	552	12,275
Ambulance contributions	271,252	292,218	280,523
County contributions	1,182,864	1,182,864	1,182,864
Transfers to county	( 1,182,864)	( 1,182,864)	( 1,182,864)
Interest income	91,979	75,960	105,258
Investment income (loss)	261,016	15,180	( 43,226)
Interest expense	( 484,015)	( 586,943)	( 880,514)
Loss on bond refunding	-	( 71,730)	( 191,507)
Loss on disposal of capital assets	( 24,408)	( 99,891)	( 41,139)
Total Nonoperating Revenues (Expenses)	<u>117,949</u>	<u>( 374,654)</u>	<u>( 758,330)</u>
<b>Excess of Revenues Over (Under) Expenses Before Minority Interest</b>	2,946,738	1,096,754	( 2,020,746)
<b>Minority Interest Share of Net Income</b>	<u>( 69,834)</u>	<u>( 70,026)</u>	<u>( 69,864)</u>
<b>Excess of Revenues Over (Under) Expenses After Minority Interest</b>	2,876,904	1,026,728	( 2,090,610)
<b>Contributions for Property and Equipment</b>	<u>78,177</u>	<u>101,932</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	2,955,081	1,128,660	( 2,090,610)
<b>Net Position Beginning of Year</b>	<u>88,510,824</u>	<u>87,382,164</u>	<u>89,472,774</u>
<b>Net Position End of Year</b>	<u>\$ 91,465,905</u>	<u>\$ 88,510,824</u>	<u>\$ 87,382,164</u>

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2015, and 2014**

**OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION (Continued)**

**Operating Income (Loss)**

The first component of the overall change in the hospital's net position is its operating income (loss) – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services.

The primary components responsible for the fluctuations in operating income (loss) are:

- ◆ A decrease in the Medicaid Upper Payment Limit program and Medicaid DSH program of \$254,019, or 11.78% in 2015 compared to 2014, and a decrease of \$515,491, or 19.30% in 2014 compared to 2013.
- ◆ An increase in net patient service revenues of \$6,666,370, or 10.36% in 2015 compared to 2014, and an increase of \$3,267,364, or 5.35% in 2014 compared to 2013.
- ◆ A increase in employee salary and benefits expenses of \$2,278,178, or 6.03% in 2015 compared to 2014, and a decrease of \$1,280,370, or 3.28% in 2014 compared to 2013.
- ◆ An increase in supplies and drugs of \$1,619,111, or 13.51% in 2015 compared to 2014, and an increase of \$639,975 or 5.64% in 2014 compared to 2013.
- ◆ An increase in other operating expense of \$1,242,955, or 12.19% in 2015 compared to 2014, and an increase of \$930,057, or 10.03% in 2014 compared to 2013.
- ◆ A decrease in depreciation and amortization expense of \$164,817, or 2.84% in 2015 compared to 2014, and an decrease of \$147,350, or 2.48% in 2014 compared to 2013.
- ◆ Electronic health records incentive funds received of \$503,645 and \$785,104 in 2015, and 2014, respectively.

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of contributions, interest income and investment earnings. The hospital had interest income of \$91,979 for the year ended September 30, 2015, and \$75,960 for the year ended September 30, 2014. The hospital had contributions of \$1,456,241 for the year ended September 30, 2015, and \$1,475,633 for the year ended September 30, 2014. The hospital had investment income of \$261,016 for the year ended September 30, 2015, compared to income of \$15,180 in 2014.

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2015, and 2014**

**OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION (Continued)**

**Nonoperating Revenues and Expenses (Continued)**

Nonoperating expenses for the year 2015 consist of interest expense, loss on bond refunding, loss on disposal of assets and transfers to the county. The hospital had interest expense of \$484,015 for the year ended September 30, 2015, and \$586,943 for the year ended September 30, 2014. The hospital had a loss on bond refunding of \$0 in 2015, and \$71,730 in 2014. The hospital had a loss on disposal of assets of \$24,408 in 2015, and \$99,891 in 2014. The hospital transferred \$1,182,864 to the county during the year ended September 30, 2015, and \$1,182,864 during 2014.

**THE HOSPITAL'S CASH FLOWS**

Changes in the hospital's cash flows are consistent with changes in operating income (loss) and nonoperating revenues and expenses.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As detailed in Note 7 of the consolidated financial statements, the hospital had \$61,532,582 invested in capital assets, net of accumulated depreciation, at September 30, 2015, and \$64,593,974 at September 30, 2014. The hospital had capital expenditures of \$2,611,852 and \$1,966,912 in 2015 and 2014, respectively.

**Debt**

At September 30, 2015, the hospital had \$15,379,599 in long-term debt outstanding. The hospital incurred new debt in 2015 of \$276,124 while making \$2,030,902 in principal payments. In 2014, the hospital had \$17,134,377 in long-term debt outstanding, and incurred \$3,515,000 while making \$5,823,174 in principal payments.

**CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the hospital's finances and to show the hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary's administrative offices at (662) 615-2550.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Consolidated Statements of Net Position  
September 30,

<b>Assets</b>	2015	2014
<b>Current Assets:</b>		
Cash	\$ 6,377,044	\$ 5,236,514
Cash - Restricted under bond agreement for payment of current bond principal and interest	1,326,019	1,294,579
Patient accounts receivables (Net of estimated uncollectibles and allowances of \$23,101,122 in 2015 and \$21,628,809 in 2014)	18,176,516	16,233,526
Other receivables	14,692	5,556
Estimated third-party payor settlements	140,655	335,711
Current portion of deferred expense	217,945	219,977
Inventories of supplies and drugs	1,772,546	1,741,746
Prepaid expenses	864,369	804,894
Total Current Assets	28,889,786	25,872,503
<b>Noncurrent Cash and Investments:</b>		
Cash - Designated by Board for capital improvements	12,367,861	9,932,014
Cash and accrued interest - Restricted under bond indenture agreement held by trustee	24,083	87,727
MHA investment - Designated by Board for capital improvement	8,033,313	7,858,871
MHA investment - Restricted for liability risk	3,986,854	3,900,280
Total Noncurrent Cash and Investments	24,412,111	21,778,892
<b>Capital Assets:</b>		
Land	1,104,205	1,104,205
Depreciable capital assets (Net of accumulated depreciation and amortization of \$68,376,279 in 2015 and \$63,377,457 in 2014)	60,316,071	63,413,547
Construction in progress	112,306	76,222
Total Capital Assets	61,532,582	64,593,974
<b>Other Assets:</b>		
Bond issue cost (Net of accumulated amortization of \$42,834 in 2015 and \$62,691 in 2014)	365,013	407,847
Deferred expense	663,553	768,910
Total Other Assets	1,028,566	1,176,757
<b>Total Assets</b>	<b>\$ 115,863,045</b>	<b>\$ 113,422,126</b>

The accompanying notes to financial statements are an integral part of these financial statements.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Consolidated Statements of Net Position  
September 30,

	2015	2014
<b>Liabilities and Net Position</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 3,775,476	\$ 2,957,596
Patient accounts receivable, credit balances	639,269	562,560
Accrued payroll and annual leave	4,239,220	3,950,859
Accrued expenses	76,019	79,579
Estimated third-party payor settlements	113,611	113,611
Deferred income	113,169	42,398
Current maturities of capital lease obligations	838,623	713,725
Current maturities of bonds payable	1,250,000	1,215,000
Total Current Liabilities	11,045,387	9,635,328
<b>Long-Term Debt:</b>		
Capital lease obligations	246,836	903,807
Bonds payable, net of unamortized discount	13,044,140	14,301,845
Total Long-Term Debt, Net of Current Maturities	13,290,976	15,205,652
<b>Total Liabilities</b>	24,336,363	24,840,980
<b>Minority Interest in Subsidiary</b>	60,777	70,322
<b>Net Position:</b>		
Invested in capital assets, net of related debt	46,177,066	47,547,324
Restricted:		
Restricted under bond agreement	1,350,102	1,382,306
Restricted for liability risk	3,986,854	3,900,280
Unrestricted	39,951,883	35,680,914
Total Net Position	91,465,905	88,510,824
<b>Total Liabilities and Net Position</b>	\$ 115,863,045	\$ 113,422,126

The accompanying notes to financial statements are an integral part of these financial statements.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Consolidated Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30,

	2015	2014
<b>Operating Revenue:</b>		
Net patient service revenue (Net of provision for bad debts of \$12,323,043 in 2015 and \$10,073,006 in 2014)	\$ 70,989,370	\$ 64,323,000
Other operating revenue	2,241,270	2,287,446
Electronic health records incentive	503,645	785,104
Total Operating Revenue	73,734,285	67,395,550
<b>Operating Expenses:</b>		
Salaries and benefits	40,069,839	37,791,661
Supplies and drugs	13,599,348	11,980,237
Other operating expenses	11,441,792	10,198,837
Insurance	162,306	156,379
Depreciation and amortization	5,632,211	5,797,028
Total Operating Expenses	70,905,496	65,924,142
<b>Operating Income</b>	2,828,789	1,471,408
<b>Nonoperating Revenues (Expenses):</b>		
Contributions	2,125	552
Ambulance contributions	271,252	292,218
County contributions	1,182,864	1,182,864
Transfers to county	( 1,182,864)	( 1,182,864)
Interest income	91,979	75,960
Investment income	261,016	15,180
Interest expense	( 484,015)	( 586,943)
Loss on bond refunding	-	( 71,730)
Loss on disposal of assets	( 24,408)	( 99,891)
Total Nonoperating Revenues (Expenses)	117,949	( 374,654)
<b>Excess of Revenues Over Expenses Before Minority Interest</b>	2,946,738	1,096,754
<b>Less Minority Interest Share of Net Income</b>	( 69,834)	( 70,026)
<b>Excess of Revenues Over Expenses After Minority Interest</b>	2,876,904	1,026,728
<b>Contributions for Property and Equipment</b>	78,177	101,932
<b>Increase in Net Position</b>	2,955,081	1,128,660
<b>Net Position Beginning of Year</b>	88,510,824	87,382,164
<b>Net Position End of Year</b>	\$ 91,465,905	\$ 88,510,824

The accompanying notes to financial statements are an integral part of these financial statements.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
Years Ended September 30,

	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Receipts from patients and other services	\$ 71,982,796	\$ 65,090,633
Payments for supplies and other expenses	( 24,465,042)	( 22,144,727)
Payments to and on behalf of employees	( 39,650,067)	( 38,010,108)
	<b>7,867,687</b>	<b>4,935,798</b>
<b>Cash Flows From Noncapital Financing Activities:</b>		
County contributions	1,253,635	1,229,098
Transfers to the county	( 1,182,864)	( 1,182,864)
Contributions	273,377	292,770
	<b>344,148</b>	<b>339,004</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Purchase of property and equipment	( 2,257,550)	( 1,886,021)
Change in funds restricted under bond indentures	32,204	320,455
Proceeds from sale of capital assets	16,624	37,917
Proceeds from issuance of bonds payable	-	3,515,000
Principal paid on long-term debt	( 2,030,902)	( 5,823,174)
Interest paid on long-term debt	( 487,813)	( 617,331)
	<b>( 4,727,437)</b>	<b>( 4,453,154)</b>
<b>Cash Flows From Investing Activities:</b>		
Transfer of funds designated by Board for capital improvement	( 2,435,847)	876,600
Interest income	91,979	75,960
	<b>( 2,343,868)</b>	<b>952,560</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,140,530</b>	<b>1,774,208</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>5,236,514</b>	<b>3,462,306</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 6,377,044</b>	<b>\$ 5,236,514</b>

The accompanying notes to financial statements are an integral part of these financial statements.



OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
Years Ended September 30,

	2015	2014
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating income	\$ 2,828,789	\$ 1,471,408
Adjustment to Reconcile Operating Income to Net		
Cash Flows Provided by Operating Activities:		
Minority interest	( 79,379)	( 67,609)
Depreciation and amortization	5,632,211	5,797,028
Provision for uncollectible accounts	12,323,043	10,073,006
Deferred expense	107,389	8,021
Bond issue cost	42,834	( 10,603)
Changes In:		
Patient accounts receivable	( 14,189,324)	( 12,012,044)
Supplies and other current assets	( 99,411)	11,952
Accounts payable, accrued expenses, and other		
current liabilities	1,106,479	( 40,602)
Estimated third party payments	195,056	( 294,759)
	\$ 7,867,687	\$ 4,935,798

**Noncash Investing, Capital and Financing Activities:**

The facility entered into capital lease obligations of \$276,124 during the year ended September 30, 2015. The facility entered into no new capital lease obligations during the year ended September 30, 2014.

The accompanying notes to financial statements are an integral part of these financial statements.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies**

**Reporting Entity** - The hospital consists of a 96-bed acute short-term care hospital owned by Oktibbeha County, Mississippi. The hospital provides inpatient, outpatient, and emergency services for residents of Oktibbeha County, Mississippi, and surrounding areas. The hospital is governed by a Board of Trustees appointed by the Board of Supervisors of Oktibbeha County.

Under *Governmental Accounting Standards Board Statement Number 14: The Financial Reporting Entity*, the hospital is defined as a component unit of Oktibbeha County, Mississippi. These financial statements present only the financial position and results of operations and cash flows of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary.

Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the hospital.

The consolidated financial statements include information for OCH/SCW Mammography, LLC, (a Mississippi entity) of which the hospital owns fifty one percent. OCH/SCW Mammography, LLC is a legally separate entity from the hospital.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance for uncollectibles and third-party settlements.

**Proprietary Fund Accounting** - The facility utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Based on *Governmental Accounting Standards Board (GASB) Statement No. 20: Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the facility has elected to apply the provisions and all pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

**Cash and Cash Equivalents** - Cash and cash equivalents include unrestricted cash used for operating purposes only.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Investments in Equity Securities** - Investments in equity securities are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in equity securities are included in nonoperating revenues.

**Capital Assets** - The hospital's policy is to capitalize acquisition and construction cost greater than \$1,500 which will provide benefit to future periods. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	5 to 20 years
Buildings and building improvements	5 to 40 years
Equipment, computers and furniture	3 to 20 years

**Cost of Borrowing** - Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The hospital capitalized \$6,943 and \$16,067 in interest for the years ended September 30, 2015 and 2014, respectively.

**Grants and Contributions** - From time to time, the hospital receives grants from Oktibbeha County, Mississippi, other governmental entities, 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 for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Restricted Resources** - When the hospital has both restricted and unrestricted resources available to finance a particular program, it is the hospital's policy to use restricted resources before unrestricted resources.

**Net Position** - Net position of the hospital is classified in three components. *Net position invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted Net Position* is made up of two components: *Restricted Under Bond Agreement* consists of cash restricted under bond agreement for the payment of current bond principal and interest, and *Restricted for liability risk* consists of cash restricted for the payment of professional and general liability claims. *Unrestricted net position* is remaining net position that does not meet the definition of *Invested in capital assets net of related debt* or *Restricted Net Position*.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

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

**Operating Revenues and Expenses** - The hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Charity Care** - The hospital provides care to patients who meet certain criteria under its charity care policy. Because the hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The cost of charity care provided in 2015 and 2014 approximated \$719,000 and \$758,000, respectively.

**Risk Management** - The hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The hospital has set aside \$3,986,854 and \$3,900,280 for the years ended September 30, 2015 and 2014, respectively, which are designated for payment of potential liability resulting from professional and general liability claims. The designated amount is adjusted each year based on actuarial analysis and is approved by the State Tort Claims Board. The hospital purchases coverage of risks of loss related to theft of, damage to, and destruction of assets from various commercial insurance carriers. The hospital purchases coverage of risks of loss related to workers' compensation claims from Healthcare Employers Resources.

Under *Governmental Accounting Standards Board Statement Number 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for claim must 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 that the amount of the loss can be reasonably estimated. The hospital did not record a liability at September 30, 2015 for any potential loss related to liability risk.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Income Taxes** - As a political subdivision of the State of Mississippi, the hospital qualifies as a tax-exempt organization under existing provisions of the Internal Revenue Code, and its income is not subject to federal or state income taxes.

**Inventories of Supplies and Drugs** - Inventories of supplies and drugs are stated at the lower of cost (first-in, first-out) or market.

**Excess of Revenue Over Expenses Before and After Minority Interest** - The statement of revenues, expenses, and changes in net position includes excess of revenues over expenses before and after minority interest. The minority interest is the minority share of income from OCH/SCW Mammography, LLC, a legally separate entity from the hospital. Changes in net position which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

**Electronic Health Record Incentive Program** - The Centers for Medicare and Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30. In 2015 and 2014, the Hospital received EHR incentive revenue of \$503,645 and \$785,104, respectively. EHR incentive revenues are included in operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

**Note 2: Designated Net Position**

Of the \$39,951,883 and \$35,680,914 of unrestricted net position reported in 2015 and 2014, respectively, \$20,401,174 and \$17,790,885, respectively, has been designated by the hospital's Board of Trustees for capital acquisitions. Designated funds remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 3: Cash and Other Deposits**

The hospital deposits funds in financial institutions selected by the Board of Trustees and invests excess funds in investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

The collateral for public entities deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-1 Miss. Code Ann. (1972). Under the program, an entity'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. All hospital funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2015.

**Note 4: Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. In the absence of actively quoted prices and observable inputs, the hospital estimates prices based on available historical data and near term future pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities.
- Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 4: Fair Value Measurements (continued)**

Fair values of assets measured on a recurring basis at September 30, 2015 and 2014 are as follows:

<u>September 30, 2015</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
MHA Investment Pool	\$ <u>12,020,167</u>	\$ <u>-</u>	\$ <u>12,020,167</u>	\$ <u>-</u>
<u>September 30, 2014</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
MHA Investment Pool	\$ <u>11,759,151</u>	\$ <u>-</u>	\$ <u>11,759,151</u>	\$ <u>-</u>

Mississippi Hospital Association Investment Pool

The facility participates in the Mississippi Hospital Association Investment Pool program. The funds are invested for the benefit of the facility by a third-party investment company, which is responsible for the management of the pool. A summary of the investments at September 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
MHA Investment Pool	\$ 7,995,301	\$ 8,190,553
MHA Liability Risk Pool	3,967,989	3,997,791
Unrealized gain (loss) on investments	<u>56,877</u>	<u>( 429,193)</u>
	<u>\$ 12,020,167</u>	<u>\$ 11,759,151</u>

The hospital has funds invested in the Mississippi Hospital Association pool investment program, which are not collateralized. However, the funds are invested in accordance with Section 27-105-365 Miss. Code Ann. (1972).

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 5: Patient Receivables – Estimated Uncollectibles and Allowance**

The balance in the estimated uncollectibles and allowances account at September 30, 2015 and 2014 is composed of the following:

	2015	2014
Provision for uncollectible accounts	\$ 12,043,680	\$ 10,012,262
Allowance for Medicare adjustment	3,894,009	4,649,006
Allowance for Medicaid adjustment	976,033	1,695,882
Allowance for other adjustments	6,187,400	5,271,659
	\$ 23,101,122	\$ 21,628,809

**Note 6: Bond Indenture Funds**

The funds held by the trustee as of September 30, 2015 and 2014, established in accordance with the requirements of the indentures to the 2002 Oktibbeha County Mississippi Revenue Bond, 2011 MHEFA Bond and the 2013 Oktibbeha County Mississippi Revenue Bond are as follows:

	2015	2014
<b>2002 Revenue Bond:</b>		
Debt service reserve fund	\$ -	\$ 1
General account	-	30,816
Total	-	30,817
<b>2011 MHEFA Bond:</b>		
Construction fund	87,107	87,101
General account	51,242	52,762
Total	138,349	139,863
<b>2013 Revenue Bond:</b>		
Debt service reserve fund	1,211,753	1,211,626
Total	1,211,753	1,211,626
Total Bond Indenture Funds for Revenue and MHEFA Bonds	1,350,102	1,382,306
Less: Bond principal and interest funds classified as current	( 1,326,019)	( 1,294,579)
Total Bond Indenture Funds, Excluding Current Portion	\$ 24,083	\$ 87,727

The above funds are and have been maintained in accordance with the bond indenture agreements.



OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 7: Capital Assets**

Capital asset additions, retirements and balances for the years ended September 30, 2015 and 2014 were as follows:

	Balance September 30, 2014	Additions and Transfers	Retirements and Transfers	Balance September 30, 2015
Land	\$ 1,104,205	-	-	\$ 1,104,205
Land improvements	2,417,779	-	49,191	2,466,970
Buildings and improvements	75,902,568	-	335,419	76,237,987
Fixed equipment	13,256,397	19,518	-	13,275,915
Major movable equipment:				
Under capital lease	3,199,292	276,124	( 294,054)	3,181,362
Other	30,966,623	1,861,319	( 274,986)	32,552,956
Minor equipment	24,811	-	-	24,811
EMS equipment	6,514	-	-	6,514
OCH Orthopedics	96,319	-	-	96,319
OCH Pulmonology	25,361	-	-	25,361
OCH General Surgery	22,768	-	-	22,768
OCH Regional Health	37,349	-	( 32,500)	4,849
OCH Medical Associates	14,144	-	-	14,144
OCH Urology Associates	64,021	-	-	64,021
OCH Breast Health Center	19,788	-	-	19,788
OCH Family Medicine Clinic	47,874	-	( 9,800)	38,074
Automobiles	689,396	-	( 28,885)	660,511
Construction in progress	76,222	454,891	( 418,807)	112,306
	<u>127,971,431</u>	<u>2,611,852</u>	<u>( 674,422)</u>	<u>129,908,861</u>
Total Historical Cost				

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 7: Capital Assets (Continued)**

	Balance September 30, 2014	Additions and Transfers	Retirements and Transfers	Balance September 30, 2015
Less Accumulated Depreciation and Amortization for:				
Land improvements	( 1,945,690)	( 73,845)	-	( 2,019,535)
Buildings and improvements	( 27,086,789)	( 2,422,116)	-	( 29,508,905)
Fixed equipment	( 6,590,855)	( 818,459)	-	( 7,409,314)
Major movable equipment	( 27,079,476)	( 2,205,425)	579,854	( 28,705,047)
EMS equipment	( 6,514)	-	-	( 6,514)
OCH Orthopedics	( 7,070)	( 14,140)	-	( 21,210)
OCH Pulmonolgy	( 23,268)	( 648)	-	( 23,916)
OCH General Surgery	( 4,420)	( 1,689)	-	( 6,109)
OCH Regional Health	( 3,996)	( 2,833)	16,250	9,421
OCH Medical Associates	( 16,642)	( 1,659)	-	( 18,301)
OCH Urology Associates	( 33,766)	( 11,243)	-	( 45,009)
OCH Breast Health Center	( 15,761)	( 835)	-	( 16,596)
OCH Family Medicine Clinic	( 32,127)	( 4,292)	8,400	( 28,019)
Automobiles	( 531,083)	( 75,027)	28,885	( 577,225)
Total Accumulated Depreciation and Amortization	<u>( 63,377,457)</u>	<u>( 5,632,211)</u>	<u>633,389</u>	<u>( 68,376,279)</u>
Capital Assets, Net	<u>\$ 64,593,974</u>	<u>( 3,020,359)</u>	<u>( 41,033)</u>	<u>\$ 61,532,582</u>

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 7: Capital Assets (Continued)**

	Balance September 30, 2013	Additions and Transfers	Retirements and Transfers	Balance September 30, 2014
Land	\$ 1,104,205	-	-	\$ 1,104,205
Land improvements	2,416,129	1,650	-	2,417,779
Buildings and improvements	75,870,076	29,880	2,612	75,902,568
Fixed equipment	13,137,290	9,434	109,673	13,256,397
Major movable equipment:				
Under capital lease	16,094,337	-	( 12,895,045)	3,199,292
Other	16,999,560	1,572,412	12,394,651	30,966,623
Minor equipment	24,811	-	-	24,811
EMS equipment	6,514	-	-	6,514
OCH Orthopedics	-	96,319	-	96,319
OCH Pulmonology	25,361	-	-	25,361
OCH General Surgery	22,768	-	-	22,768
OCH Regional Health	37,349	-	-	37,349
OCH Medical Associates	14,144	-	-	14,144
OCH Urology Associates	64,021	-	-	64,021
OCH Breast Health Center	19,788	-	-	19,788
OCH Family Medicine Clinic	40,872	7,002	-	47,874
Automobiles	659,888	29,508	-	689,396
Construction in progress	463,650	220,707	( 608,135)	76,222
Total Historical Cost	<u>127,000,763</u>	<u>1,966,912</u>	<u>( 996,244)</u>	<u>127,971,431</u>

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 7: Capital Assets (Continued)**

	Balance September 30, 2013	Additions and Transfers	Retirements and Transfers	Balance September 30, 2014
Less Accumulated Depreciation and Amortization for:				
Land improvements	( 1,872,818)	( 72,872)	-	( 1,945,690)
Buildings and improvements	( 24,558,441)	( 2,528,348)	-	( 27,086,789)
Fixed equipment	( 5,769,960)	( 820,895)	-	( 6,590,855)
Major movable equipment	( 25,703,415)	( 2,234,496)	858,435	( 27,079,476)
EMS equipment	( 6,514)	-	-	( 6,514)
OCH Orthopedics	-	( 7,070)	-	( 7,070)
OCH Pulmonolgy	( 22,620)	( 648)	-	( 23,268)
OCH General Surgery	( 2,479)	( 1,941)	-	( 4,420)
OCH Regional Health	( 2,337)	( 1,659)	-	( 3,996)
OCH Medical Associates	( 11,778)	( 4,864)	-	( 16,642)
OCH Urology Associates	( 19,954)	( 13,812)	-	( 33,766)
OCH Breast Health Center	( 14,926)	( 835)	-	( 15,761)
OCH Family Medicine Clinic	( 26,773)	( 5,354)	-	( 32,127)
Automobiles	( 426,849)	( 104,234)		( 531,083)
Total Accumulated Depreciation and Amortization	<u>( 58,438,864)</u>	<u>( 5,797,028)</u>	<u>858,435</u>	<u>( 63,377,457)</u>
Capital Assets, Net	<u>\$ 68,561,899</u>	<u>( 3,830,116)</u>	<u>( 137,809)</u>	<u>\$ 64,593,974</u>

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 8: Long-Term Debt**

Under the terms of the bond indenture agreements, the hospital is required to maintain certain deposits with the trustee. Such deposits are included with current assets and other assets in the financial statements. The bond indenture agreements also place limits on the incurrence of additional borrowing and requires that the hospital satisfy certain measures of financial performance as long as the bonds are outstanding. The hospital has satisfied the bond requirements.

A schedule of changes in the hospital's long-term debt for 2015 and 2014 follows:

	<u>Balance 9/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2015</u>	<u>Due Within One Year</u>
Bonds payable	\$ 15,516,845	-	( 1,222,705)	\$ 14,294,140	\$ 1,250,000
Capital lease obligations	<u>1,617,532</u>	<u>276,124</u>	<u>( 808,197)</u>	<u>1,085,459</u>	<u>838,623</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 17,134,377</u></b>	<b><u>276,124</u></b>	<b><u>( 2,030,902)</u></b>	<b><u>\$ 15,379,599</u></b>	<b><u>\$ 2,088,623</u></b>
	<u>Balance 9/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2014</u>	<u>Amounts Due Within One Year</u>
<b>Bonds and Notes Payable:</b>					
Notes payable	\$ 9,154	-	( 9,154)	\$ -	\$ -
Bonds payable	<u>16,608,282</u>	<u>3,515,000</u>	<u>( 4,606,437)</u>	<u>15,516,845</u>	<u>1,215,000</u>
<b>Total Bonds and Notes Payable</b>	<u>16,617,436</u>	<u>3,515,000</u>	<u>( 4,615,591)</u>	<u>15,516,845</u>	<u>1,215,000</u>
<b>Capital lease obligations</b>	<u>2,825,115</u>	<u>-</u>	<u>( 1,207,583)</u>	<u>1,617,532</u>	<u>713,725</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 19,442,551</u></b>	<b><u>3,515,000</u></b>	<b><u>( 5,823,174)</u></b>	<b><u>\$ 17,134,377</u></b>	<b><u>\$ 1,928,725</u></b>

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 8: Long-Term Debt (Continued)**

A detail of long-term debt, including capital lease obligations, at September 30, 2015 and 2014 follows:

<b>Bonds Payable</b>	2015	2014
Series 2011 MHEFA Bonds, 3.80% due in monthly installments with varying principal and interest amounts with final installment due in the year 2021, secured by building.	3,550,000	4,030,000
Series 2013 Revenue Bonds with varying interest rates, interest due semiannually and principal due in varying annual installments with final installment due in the year 2027, secured by hospital revenue. Balance net of unamortized premium of \$107,080 at September 30, 2015 and \$116,174 at September 30, 2014.	8,477,080	8,556,174
Series 2014 Revenue Bonds with varying interest rates, interest due semiannually and principal due in varying annual installments with final installment due in the year 2019, secured by hospital revenue. Balance net of unamortized discount of \$20,293 and premium of \$42,353 at September 30, 2015.	2,267,060	2,930,671
Total Bonds Payable	\$ 14,294,140	\$ 15,516,845
<b>Capital Lease Obligations</b> , at varying rates of imputed interest from 0% to 5.56% collateralized by leased assets with a cost of \$3,181,362 at September 30, 2015.	2015	2014
	\$ 1,085,459	\$ 1,617,532

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 8: Long-Term Debt (Continued)**

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

<u>Year Ended</u> <u>September 30:</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	1,250,000	431,946	838,623	11,537
2017	1,300,000	397,451	246,836	630
2018	1,315,000	361,906	-	-
2019	1,377,059	325,903	-	-
2020	1,455,000	281,546	-	-
Thereafter	<u>7,597,080</u>	<u>915,474</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,294,140</u>	<u>\$ 2,714,227</u>	<u>\$ 1,085,459</u>	<u>\$ 12,167</u>

**Note 9: Net Patient Service Revenue**

The hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare** - Inpatient acute care services, outpatient services, and nonacute inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The facility is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicare fiscal intermediary. The facility's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2012.

**Medicaid** - Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicaid fiscal intermediary. The hospital is reimbursed for outpatient services under a cost based reimbursement methodology that is updated annually.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 9: Net Patient Service Revenue (Continued)**

**Medicaid Disproportionate Share Payment** - The hospital received Medicaid disproportionate share payments of \$260,501 and \$374,462, for the years ended September 30, 2015 and 2014, respectively.

The Medicaid disproportionate share program is a program whereby the hospital qualifies for disproportionate share funds in addition to regular funds as a result of providing care to a disproportionate share of low-income patients as well as providing certain required services. The Mississippi Division of Medicaid controls the disproportionate share program and the continuation of the program rests with the agency.

**Upper Payment Limit Payment** - The hospital received Medicaid upper payment limit payments of \$2,149,285 and \$1,781,305 for the years ended September 30, 2015 and 2014, respectively.

The Medicaid upper payment limit program is a program whereby the hospital qualifies for upper payment limit funds in addition to regular funds. The Mississippi Division of Medicaid administers the program and the continuation of the program rests with the federal government.

**Note 10: Medical Benefit Plan**

The hospital adopted a self-funded medical benefit plan on May 1, 1980, covering substantially all of its employees and certain dependents of the employees. The total medical benefit expense for the years ended September 30, 2015 and 2014, amounted to \$692,828 and \$793,573 respectively. The hospital's policy is to fund the estimated medical benefit claims that will be filed against the plan less the contributions made by employees covered by the plan. In addition, an allowance, representing the write-off of charges applicable to in-house claims of the employees and their dependents was provided in the amounts of \$1,652,296 in 2015 and \$2,342,205 in 2014.

**Note 11: Profit-Sharing Plan**

The hospital has a profit-sharing plan that covers substantially all of its employees. The hospital's total contribution on behalf of the employees to the plan for 2015 and 2014 was \$2,312,008 and \$2,291,913, respectively. The plan requires a percentage contribution of current and/or accumulated net profits each year, with a base of 7.5% of the qualifying employees' total effective earnings for that year. In addition, the hospital matches, at 50%, the employees elective contributions up to 5%. A qualifying employee is fully vested after five years of credited service.



OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 12: Concentrations of Credit Risk**

The hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2015 and 2014, was as follows:

	2015	2014
Medicare	16%	20%
Medicaid	5%	8%
Patients and other third-party payors	79%	72%
	100%	100%

**Note 13: Contingencies**

The hospital is party to various legal proceedings, which normally occur in the operation of a hospital. The range of potential loss at September 30, 2015 and 2014 has not been estimated. Management does not expect any significant liability to result from these legal proceedings.

**Note 14: Agreement with County**

The hospital receives funds from Oktibbeha County, Mississippi. These funds are deposited into the hospital's general account established under the bond indenture agreement for the 2002 Revenue Bonds. The hospital pledged the payment of \$98,572 per month to the County for the payment of the principal and interest on the 2009 General Obligation Bonds until the final maturity of the 2002 Revenue Bonds. The hospital made payments to the County of \$1,182,864 and \$1,182,864 for the years ended September 30, 2015 and 2014, respectively, for the payment of the principal and interest on the 2009 General Obligations Bond. The 2002 Revenue Bonds were refunded by the hospital's issuance of the 2013 Revenue Bonds on May 30, 2013 and the 2014 Revenue Bonds on January 22, 2014. The maturity of the 2013 bonds remained the same as the 2002 debt with a maturity of 2027. The 2014 bonds mature in 2019.

Future payments to county per the agreement for the following five years are as follows:

Year Ended September 30:	
2016	1,182,864
2017	1,182,864
2018	1,182,864
2019	1,182,864
2020	1,182,864

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Notes to Consolidated Financial Statements

**Note 15: Reclassifications**

Certain reclassifications have been made to the 2014 financial statements to conform to the classifications used in 2015.

**Note 16: Subsequent Events**

Events that occur after the Consolidated Statement of Net Position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Consolidated Statement of Net Position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the Consolidated Statement of Net Position date require disclosure in the accompanying notes. Management of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary evaluated the activity of the hospital through January 16, 2016, (the date the consolidated financial statements were available to be issued), and determined that there were no subsequent events requiring disclosures in the notes to the consolidated financial statements.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Revenues  
Years Ended September 30,

	2015	2014
<b>Patient Service Revenue:</b>		
<b>Inpatient:</b>		
Nursing Service:		
Routine service	\$ 7,495,771	\$ 6,934,208
Swingbeds	226,245	6,230
Intensive care	1,771,063	1,610,371
Nursery	1,668,102	1,662,229
Other Nursing Service:		
Operating and recovery room	7,568,858	6,746,408
Ambulatory surgery	135,962	96,563
Heart monitor	112,107	123,169
Delivery room	3,261,180	3,001,793
Central service and supply	2,515,232	1,925,903
Intravenous therapy	3,337,492	3,093,026
Emergency service	1,395,948	1,093,101
Pathology	40,213	32,960
Hospitalist	755,814	163,930
Total Nursing Service Revenue	30,283,987	26,489,891
Other Professional Service:		
Laboratory	3,385,174	2,809,339
Blood bank	1,001,803	779,283
Electrocardiology	180,778	115,945
Radiology	788,589	630,088
Pharmacy	7,583,116	7,065,348
Anesthesiology	413,447	381,730
Respiratory therapy	5,253,209	4,127,943
Physical therapy	253,952	206,474
Nuclear medicine	23,009	29,817
CT scan	1,585,576	1,310,728
Ambulance	398,758	320,982
Speech pathology	168,602	94,003
Cardiac rehabilitation	-	440
Ultrasound	430,702	280,082
MRI	193,115	154,504
Occupational therapy	59,604	13,073
Total Other Professional Service Revenue	21,719,434	18,319,779
 Total Inpatient Revenue	 52,003,421	 44,809,670

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Revenues  
Years Ended September 30,

	2015	2014
<b>Outpatient:</b>		
Other Nursing Service:		
Operating and recovery room	36,119,142	34,646,383
Ambulatory surgery	3,371,346	4,033,935
Heart monitor	267,535	262,408
Central service and supply	2,778,400	2,875,722
Intravenous therapy	2,880,856	2,770,749
Emergency service	20,138,578	18,366,924
Pathology	315,909	381,617
Total Nursing Service Revenue	65,871,766	63,337,738
Other Professional Service:		
Laboratory	8,597,979	8,333,011
Blood	539,851	584,240
Electrocardiology	928,587	727,080
Ambulance	2,140,204	2,186,075
Radiology	5,079,495	4,744,852
Pharmacy	11,894,018	10,596,003
Anesthesiology	9,869,035	10,112,139
Respiratory therapy	5,516,747	4,697,575
Physical therapy	970,235	975,919
Nuclear medicine	872,942	978,252
CT scan	16,133,320	14,843,890
Cardiac rehabilitation	183,272	196,329
Speech pathology	143,650	199,675
Ultrasound	1,227,483	1,215,946
MRI	3,631,895	3,197,825
Occupational therapy	330,529	323,926
OCH Orthopedics Clinic	853,050	91,285
Center for Breast Health	1,362,216	1,312,580
OCH Pulmonology	528,635	691,105
OCH Rural Health Clinic	5,415	387,500
OCH Family Medicine Clinic	714,587	869,219
OCH General Surgery	-	417,660
OCH Medical Associates	1,382,995	1,439,986
OCH Urology Associates	2,107,022	1,795,844
OCH Center for Pain	3,663,890	1,865,036
Total Other Professional Service Revenue	78,677,052	72,782,952
Total Outpatient Revenue	144,548,818	136,120,690
<b>Total Patient Service Revenue</b>	<b>196,552,239</b>	<b>180,930,360</b>

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Revenues  
Years Ended September 30,

	2015	2014
<b>Contractual Adjustments and Allowances:</b>		
Medicare	42,864,374	37,310,544
Medicaid	20,968,314	20,580,356
Blue Cross	1,880,319	1,843,830
Charity care	2,269,239	2,383,609
Medicaid upper payment limit payment	( 2,149,285)	( 1,781,305)
Medicaid DSH payment	( 260,501)	( 374,462)
Administrative and other adjustments	47,667,366	46,571,782
Total Contractual Adjustments and Allowances	113,239,826	106,534,354
<b>Provision for Uncollectable Accounts</b>	12,323,043	10,073,006
<b>Net Patient Service Revenue</b>	70,989,370	64,323,000
<b>Other Operating Revenue:</b>		
Employee pharmacy sales	328,460	394,246
Medical records transcript	22,371	18,910
Employee and guest meals	365,370	522,921
Commissions - Vending machines	70,069	16,403
Medical and surgical supplies	2,981	2,289
Purchase discounts	51,480	57,953
Nursery pictures	575	569
Wellness Connection fees	730,962	677,809
Physician office buildings - rent	530,193	520,420
Miscellaneous revenue	138,809	75,926
Total Other Operating Revenue	2,241,270	2,287,446
<b>Electronic Health Records Incentive</b>	503,645	785,104
<b>Total Operating Revenue</b>	\$ 73,734,285	\$ 67,395,550

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Expenses  
Years Ended September 30,

	2015			2014		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
<b>Nursing Services:</b>						
Nursing administration	\$ 779,103	4,574	6,921	761,554	3,467	7,148
Routine services	3,006,558	146,757	44,775	2,832,564	118,874	43,170
Intensive care	612,792	28,252	14,771	591,984	14,033	6,966
Nursery	775,026	26,134	6,827	749,806	29,842	7,639
<b>Other Nursing Services:</b>						
Operating and recovery rooms	2,721,910	7,328,859	736,811	2,539,272	6,299,379	847,240
Ambulatory surgery	1,079,282	361,143	49,636	1,024,320	246,134	47,864
Delivery room	1,219,209	89,350	68,919	1,176,783	85,712	65,765
Central service and supply	271,152	785,192	78,049	285,418	821,198	71,695
Emergency service	5,211,166	88,488	458,298	4,715,092	78,630	705,979
Trauma	69,079	867	5,533	68,305	683	14,112
Hospitalist	206,472	202	1,290,614	33,613	3,711	546,665
<b>Other Professional Services:</b>						
Laboratory	919,353	641,303	563,966	900,738	625,190	443,535
Blood bank	-	-	328,575	-	-	288,548
Electrocardiology	88	2,102	197,359	153	1,267	209,734
Radiology	808,534	51,666	273,218	738,366	69,597	278,532
Pharmacy	721,324	1,880,157	79,408	676,685	1,673,665	110,055
Anesthesiology	3,315,605	100,708	100,227	3,133,011	98,952	83,281
Respiratory therapy	1,224,611	144,376	67,568	1,133,483	104,655	62,233
Ambulance	1,116,761	91,203	218,590	1,077,305	128,385	195,414
Physical therapy	777,437	18,716	33,242	752,479	22,737	34,435
Ultrasound	154,537	3,072	10,445	110,037	2,048	777
CT scan	106,716	81,500	7,632	100,046	66,352	1,817
Nuclear medicine	85,299	96,305	27,841	80,979	120,050	28,114
Medical records	951,673	12,520	227,465	919,551	9,193	176,171
Social service	94,828	489	355	39,240	2,628	101
Cardiac rehabilitation	123,758	4,596	12,385	111,893	2,979	12,483
Speech pathology	151,769	1,147	1,259	149,259	1,134	1,045
Wellness Center	499,535	14,766	139,101	498,606	15,275	131,205
Sports medicine	244,387	5,949	35,666	240,538	6,234	36,838
Physician's office	892,472	67,589	171,021	908,988	48,273	131,951

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Expenses  
Years Ended September 30,

	2015			2014		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
<b>Other Professional Services (Continued):</b>						
Occupational therapy	267,060	5,391	4,169	192,413	2,197	6,286
Breast Health Center	786,808	23,351	184,647	643,217	26,693	191,740
OCH General Surgery	154	3	2,009	15,763	103	20,680
OCH Rural Health Clinic	1,794	277	3,493	194,629	16,293	38,502
OCH Medical Associates	1,041,726	24,692	49,736	969,387	21,564	73,510
OCH Urology Associates	639,207	230,821	51,382	584,702	154,013	51,294
OCH Pulmonology	467,955	6,798	25,330	473,239	7,934	27,395
OCH Center for Pain	549,145	6,479	49,634	486,557	8,934	70,034
OCH Hyperbaric Center	-	522	-	-	-	-
OCH Wound Care Center	-	48,154	22,820	-	-	-
<b>General Services:</b>						
Dietary	1,116,219	678,049	95,520	1,049,027	667,512	93,588
Maintenance	536,711	96,777	1,435,294	518,430	138,460	1,375,606
Housekeeping	789,773	90,964	96,235	787,910	79,364	92,373
Laundry and linen	31,428	-	357,497	31,103	-	317,319
Security	277,980	10,503	4,026	273,266	10,515	8,059
<b>Administration and Fiscal Services:</b>						
Administrative	934,278	46,519	1,678,915	887,130	57,689	1,261,109
Fiscal	4,489,165	252,066	2,124,608	4,334,820	88,689	1,980,830
<b>Total</b>	<b>\$ 40,069,839</b>	<b>13,599,348</b>	<b>11,441,792</b>	<b>37,791,661</b>	<b>11,980,237</b>	<b>10,198,837</b>

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Schedule of Surety Bonds for Officials and Employees  
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount of Bond</u>
Bob Singletary	Trustee	Western Surety	\$ 100,000
Jimmy Linley	Trustee	Travelers	\$ 100,000
Kimberly Brooks	Trustee	Western Surety	\$ 100,000
Walter Williams	Trustee	Western Surety	\$ 100,000
Linda Breazeale	Trustee	Western Surety	\$ 100,000
Glenn Mullins	Trustee	Western Surety	\$ 100,000
Richard Hilton	Administrator	Travelers	\$ 100,000





**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Staggers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

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

Board of Trustees  
Oktibbeha County Hospital  
D/B/A OCH Regional Medical Center and Subsidiary  
Starkville, 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 Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary, a component unit of Oktibbeha County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and the related notes to consolidated financial statements, which collectively comprise Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary’s basic financial statements, and have issued our report thereon dated January 16, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary’s internal control. Accordingly, we do not express an opinion of the effectiveness of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary’s internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

Eupora, Mississippi  
January 16, 2016

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
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**Independent Auditors' Report on Compliance with State Laws and Regulations**

Board of Trustees  
 Oktibbeha County Hospital  
 D/B/A OCH Regional Medical Center and Subsidiary  
 Starkville, Mississippi

We have audited the consolidated financial statements of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary, a component unit of Oktibbeha County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated January 16, 2016.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Compliance with state laws applicable to Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary is the responsibility of the hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary's compliance with certain provisions of state laws. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary complied with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary had not complied with those provisions.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, and the Board of Supervisors of Oktibbeha County, Mississippi, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi  
 January 16, 2016

*Watkins Ward and Stafford, PLLC*