

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

CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2016



OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
September 30, 2016

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Certified Public Accountants

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## 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, 2016, and 2015, 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 respects, 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, 2016, and 2015, 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, 2016, and 2015, 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, 2016, and 2015, 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, 2016, and 2015, 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, 2016, and 2015, 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 February 23, 2017, 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  
February 23, 2017

*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, 2016, and 2015**

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, 2016, and 2015. Please read it in conjunction with the hospital's consolidated financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- ◆ The hospital's net position decreased in 2016 by \$190,844 or .002%, and increased in 2015 by \$2,955,081, or 3.34%.
- ◆ The hospital reported an operating loss in 2016 of \$416,064 and an operating income of \$2,828,789 in 2015.
- ◆ Nonoperating expenses decreased by \$34,281, or 7.08%, in 2016 compared to 2015. Nonoperating expenses decreased in 2015 by \$250,141, or 32.98% compared to 2014.
- ◆ Nonoperating revenues increased by \$117,887, or 19.58% in 2016 compared to 2015. Nonoperating revenues increased by \$242,462, or 32.98% in 2015 compared to 2014.

**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, 2016, and 2015**

**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 decreased in 2016 by \$190,844 or .002%, and increased in 2015 by \$2,955,081, or 3.34% 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, 2016, and 2015**

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

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

|   | 2016                  | 2015                  | 2014                  |
|---|-----------------------|-----------------------|-----------------------|
| <b>Assets:</b>                                  |                       |                       |                       |
| Current assets                                  | \$ 28,334,779         | \$ 28,889,786         | \$ 25,872,503         |
| Capital assets, net                             | 59,021,303            | 61,532,582            | 64,593,974            |
| Other assets                                    | 1,243,787             | 1,028,566             | 1,176,757             |
| Other noncurrent assets                         | 24,626,922            | 24,412,111            | 21,778,892            |
| <b>Total Assets</b>                             | <u>113,226,791</u>    | <u>115,863,045</u>    | <u>113,422,126</u>    |
| <b>Liabilities:</b>                             |                       |                       |                       |
| Current liabilities                             | 9,006,243             | 11,045,387            | 9,635,328             |
| Long-term debt outstanding                      | 12,903,013            | 13,290,976            | 15,205,652            |
| Minority interest in subsidiary                 | 42,474                | 60,777                | 70,322                |
| <b>Total Liabilities</b>                        | <u>21,951,730</u>     | <u>24,397,140</u>     | <u>24,911,302</u>     |
| <b>Net Position:</b>                            |                       |                       |                       |
| Invested in capital assets, net of related debt | 44,186,969            | 46,177,066            | 47,547,324            |
| Restricted:                                     |                       |                       |                       |
| Restricted under bond agreement                 | 1,266,549             | 1,350,102             | 1,382,306             |
| Restricted for liability risk                   | 4,076,403             | 3,986,854             | 3,900,280             |
| Unrestricted                                    | 41,745,140            | 39,951,883            | 35,680,914            |
| <b>Total Net Position</b>                       | <u>91,275,061</u>     | <u>91,465,905</u>     | <u>88,510,824</u>     |
| <b>Total Liabilities and Net Position</b>       | <u>\$ 113,226,791</u> | <u>\$ 115,863,045</u> | <u>\$ 113,422,126</u> |

The change in the hospital's assets is due to several factors. Cash decreased by \$1,434,498, or 22.49%, compared to 2015. Patient accounts receivable, net of estimated uncollectibles and allowances, increased by \$819,436, or 4.51%, compared to 2015. Board restricted funds increased by \$149,345 or 0.73% compared to 2015.

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2016, and 2015**

**OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION**

**Table 2: Operating Results**

|  | 2016                 | 2015                 | 2014                 |
|--|----------------------|----------------------|----------------------|
| <b>Operating Revenues:</b>   |                      |                      |                      |
| Net patient service revenues   | \$ 68,990,480        | \$ 70,989,370        | \$ 64,323,000        |
| Other revenues   | 2,625,937            | 2,241,270            | 2,287,446            |
| Electronic health records incentive                                      | 133,680              | 503,645              | 785,104              |
| <b>Total Operating Revenues</b>  | <u>71,750,097</u>    | <u>73,734,285</u>    | <u>67,395,550</u>    |
| <b>Operating Expenses:</b>   |                      |                      |                      |
| Salaries and benefits  | 41,282,323           | 40,069,839           | 37,791,661           |
| Supplies and drugs   | 13,293,016           | 13,599,348           | 11,980,237           |
| Other operating expenses   | 11,832,199           | 11,441,792           | 10,127,194           |
| Insurance  | 160,505              | 162,306              | 228,022              |
| Depreciation and amortization  | 5,598,118            | 5,632,211            | 5,797,028            |
| <b>Total Operating Expenses</b>  | <u>72,166,161</u>    | <u>70,905,496</u>    | <u>65,924,142</u>    |
| <b>Operating Income (Loss)</b>   | <u>( 416,064)</u>    | <u>2,828,789</u>     | <u>1,471,408</u>     |
| <b>Nonoperating Revenues (Expenses):</b>                                 |                      |                      |                      |
| Contributions  | 4,085                | 2,125                | 552                  |
| Ambulance contributions  | 271,098              | 271,252              | 292,218              |
| 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  | 117,864              | 91,979               | 75,960               |
| Investment income (loss)   | 269,983              | 261,016              | 15,180               |
| Interest expense   | ( 449,734)           | ( 484,015)           | ( 586,943)           |
| Gain on extinguishment of debt   | 11,500               | -                    | -                    |
| Loss on bond refunding   | -                    | -                    | ( 71,730)            |
| Gain (Loss) on disposal of capital assets                                | 45,321               | ( 24,408)            | ( 99,891)            |
| <b>Total Nonoperating Revenues (Expenses)</b>                            | <u>270,117</u>       | <u>117,949</u>       | <u>( 374,654)</u>    |
| <b>Excess of Revenues Over (Under) Expenses Before Minority Interest</b> | <u>( 145,947)</u>    | <u>2,946,738</u>     | <u>1,096,754</u>     |
| <b>Minority Interest Share of Net Income</b>                             | <u>( 69,897)</u>     | <u>( 69,834)</u>     | <u>( 70,026)</u>     |
| <b>Excess of Revenues Over (Under) Expenses After Minority Interest</b>  | <u>( 215,844)</u>    | <u>2,876,904</u>     | <u>1,026,728</u>     |
| <b>Contributions for Property and Equipment</b>                          | <u>25,000</u>        | <u>78,177</u>        | <u>101,932</u>       |
| <b>Increase (Decrease) in Net Position</b>                               | <u>( 190,844)</u>    | <u>2,955,081</u>     | <u>1,128,660</u>     |
| <b>Net Position Beginning of Year</b>                                    | <u>91,465,905</u>    | <u>88,510,824</u>    | <u>87,382,164</u>    |
| <b>Net Position End of Year</b>  | <u>\$ 91,275,061</u> | <u>\$ 91,465,905</u> | <u>\$ 88,510,824</u> |

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2016, and 2015**

**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:

- ◆ An increase in the Medicaid MHAP, Medicaid UPL, and Medicaid DSH programs of \$1,091,028, or 50.76% in 2016 compared to 2015, and an increase of \$254,019, or 11.78% in 2015 compared to 2014.
- ◆ A decrease in net patient service revenues of \$1,998,891, or 2.82% in 2016 compared to 2015, and an increase of \$6,666,370, or 10.36% in 2015 compared to 2014.
- ◆ An increase in employee salary and benefits expenses of \$1,212,998, or 3.03% in 2016 compared to 2015, and an increase of \$2,277,664, or 6.03% in 2015 compared to 2014.
- ◆ A decrease in supplies and drugs of \$306,332, or 2.25% in 2016 compared to 2015, and an increase of \$1,619,111 or 13.51% in 2015 compared to 2014.
- ◆ An increase in other operating expense of \$389,893, or 3.41% in 2016 compared to 2015, and an increase of \$1,243,469, or 12.19% in 2015 compared to 2014.
- ◆ A decrease in depreciation and amortization expense of \$34,093, or 0.61% in 2016 compared to 2015, and an decrease of \$164,817, or 2.84% in 2015 compared to 2014.
- ◆ Electronic health records incentive funds received of \$133,680 and \$503,645 in 2016, and 2015, respectively.

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of contributions, interest income and investment earnings. The hospital had interest income of \$117,864 for the year ended September 30, 2016, and \$91,979 for the year ended September 30, 2015. The hospital had contributions of \$1,458,047 for the year ended September 30, 2016, and \$1,456,241 for the year ended September 30, 2015. The hospital had investment income of \$269,983 for the year ended September 30, 2016, compared to income of \$261,016 in 2015.

**OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2016, and 2015**

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

**Nonoperating Revenues and Expenses (Continued)**

Nonoperating expenses for the year 2016 consist of interest expense, loss on bond refunding, loss on disposal of assets and transfers to the county. The hospital had interest expense of \$449,734 for the year ended September 30, 2016, and \$484,015 for the year ended September 30, 2015. The hospital had a gain on the extinguishment of debt of \$11,500 in 2016, and \$0 in 2015. The hospital had a gain on disposal of assets of \$45,321 in 2016, and a loss of \$24,408 in 2015. The hospital transferred \$1,182,864 to the county during the year ended September 30, 2016, and \$1,182,864 during 2015.

**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 \$59,021,303 invested in capital assets, net of accumulated depreciation at September 30, 2016, and \$61,532,582 at September 30, 2015. The hospital had capital expenditures of \$5,257,569 and \$2,611,852 in 2016 and 2015, respectively.

**Debt**

At September 30, 2016, the hospital had \$14,834,334 in long-term debt outstanding. The hospital incurred new debt, including notes and leases, in 2016 of \$1,761,431 while making \$2,295,196 in principal payments in addition to having \$11,500 of the debt forgiven. In 2015, the hospital had \$15,379,599 in long-term debt outstanding, and incurred \$276,124 while making \$2,030,902 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, 2016, and 2015

| <b>Assets</b>  | 2016                  | 2015                  |
|--|-----------------------|-----------------------|
| <b>Current Assets:</b>   |                       |                       |
| Cash   | \$ 4,942,546          | \$ 6,377,044          |
| Cash - Restricted under bond agreement for payment of current bond principal and interest                                      | 1,266,549             | 1,326,019             |
| Patient accounts receivables (Net of estimated uncollectibles and allowances of \$23,465,824 in 2016 and \$23,101,122 in 2015) | 18,995,952            | 18,176,516            |
| Other receivables  | 207,060               | 14,692                |
| Estimated third-party payor settlements  | 90,232                | 140,655               |
| Current portion of deferred expense  | 217,503               | 217,945               |
| Inventories of supplies and drugs  | 1,827,900             | 1,772,546             |
| Prepaid expenses   | 787,037               | 864,369               |
| Total Current Assets   | 28,334,779            | 28,889,786            |
| <b>Noncurrent Cash and Investments:</b>  |                       |                       |
| Cash - Designated by Board for capital improvements  | 12,336,773            | 12,367,861            |
| Cash and accrued interest - Restricted under bond indenture agreement held by trustee  | -                     | 24,083                |
| MHA investment - Designated by Board for capital improvement   | 8,213,746             | 8,033,313             |
| MHA investment - Restricted for liability risk   | 4,076,403             | 3,986,854             |
| Total Noncurrent Cash and Investments  | 24,626,922            | 24,412,111            |
| <b>Capital Assets:</b>   |                       |                       |
| Land   | 1,104,205             | 1,104,205             |
| Depreciable capital assets (Net of accumulated depreciation and amortization of \$72,845,671 in 2016 and \$68,376,279 in 2015) | 57,795,806            | 60,316,071            |
| Construction in progress   | 121,292               | 112,306               |
| Total Capital Assets   | 59,021,303            | 61,532,582            |
| <b>Other Assets:</b>   |                       |                       |
| Bond issue cost (Net of accumulated amortization of \$148,358 in 2016 and \$105,524 in 2015)                                   | 322,180               | 365,013               |
| Deferred expense   | 671,607               | 663,553               |
| MHA investment - Mississippi Provider-Sponsored Health Plan  | 250,000               | -                     |
| Total Other Assets   | 1,243,787             | 1,028,566             |
| <b>Total Assets</b>  | <b>\$ 113,226,791</b> | <b>\$ 115,863,045</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, 2016, and 2015

| <b>Liabilities and Net Position</b>             | 2016           | 2015           |
|---|----------------|----------------|
| <b>Current Liabilities:</b>                     |                |                |
| Accounts payable                                | \$ 2,331,358   | \$ 3,775,476   |
| Patient accounts receivable, credit balances    | 744,244        | 639,269        |
| Accrued payroll and annual leave                | 3,629,997      | 4,239,220      |
| Accrued expenses                                | 72,429         | 76,019         |
| Estimated third-party payor settlements         | 113,611        | 113,611        |
| Deferred income                                 | 183,283        | 113,169        |
| Current maturities of capital lease obligations | 363,831        | 838,623        |
| Current maturities of notes payable             | 267,490        | -              |
| Current maturities of bonds payable             | 1,300,000      | 1,250,000      |
| Total Current Liabilities                       | 9,006,243      | 11,045,387     |
| <b>Long-Term Debt:</b>                          |                |                |
| Capital lease obligations                       | 311,248        | 246,836        |
| Notes payable                                   | 858,514        | -              |
| Bonds payable, net of unamortized discount      | 11,733,251     | 13,044,140     |
| Total Long-Term Debt, Net of Current Maturities | 12,903,013     | 13,290,976     |
| <b>Total Liabilities</b>                        | 21,909,256     | 24,336,363     |
| <b>Minority Interest in Subsidiary</b>          | 42,474         | 60,777         |
| <b>Net Position:</b>                            |                |                |
| Invested in capital assets, net of related debt | 44,186,969     | 46,177,066     |
| Restricted:                                     |                |                |
| Restricted under bond agreement                 | 1,266,549      | 1,350,102      |
| Restricted for liability risk                   | 4,076,403      | 3,986,854      |
| Unrestricted                                    | 41,745,140     | 39,951,883     |
| Total Net Position                              | 91,275,061     | 91,465,905     |
| <b>Total Liabilities and Net Position</b>       | \$ 113,226,791 | \$ 115,863,045 |

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, 2016, and 2015

|   | 2016          | 2015          |
|---|---------------|---------------|
| <b>Operating Revenue:</b>   |               |               |
| Net patient service revenue (Net of provision for bad debts of \$11,436,899 in 2016 and \$12,323,043 in 2015) | \$ 68,990,480 | \$ 70,989,370 |
| Other operating revenue   | 2,625,937     | 2,241,270     |
| Electronic health records incentive   | 133,680       | 503,645       |
| Total Operating Revenue   | 71,750,097    | 73,734,285    |
| <b>Operating Expenses:</b>  |               |               |
| Salaries and benefits   | 41,282,323    | 40,069,325    |
| Supplies and drugs  | 13,293,016    | 13,599,348    |
| Other operating expenses  | 11,832,199    | 11,442,306    |
| Insurance   | 160,505       | 162,306       |
| Depreciation and amortization   | 5,598,118     | 5,632,211     |
| Total Operating Expenses  | 72,166,161    | 70,905,496    |
| <b>Operating Income (Loss)</b>  | ( 416,064)    | 2,828,789     |
| <b>Nonoperating Revenues (Expenses):</b>  |               |               |
| Contributions   | 4,085         | 2,125         |
| Ambulance contributions   | 271,098       | 271,252       |
| County contributions  | 1,182,864     | 1,182,864     |
| Transfers to county   | ( 1,182,864)  | ( 1,182,864)  |
| Interest income   | 117,864       | 91,979        |
| Investment income   | 269,983       | 261,016       |
| Interest expense  | ( 449,734)    | ( 484,015)    |
| Gain on extinguishment of debt  | 11,500        | -             |
| Gain (Loss) on disposal of assets   | 45,321        | ( 24,408)     |
| Total Nonoperating Revenues (Expenses)  | 270,117       | 117,949       |
| <b>Excess of Revenues Over (Under) Expenses Before Minority Interest</b>                                      | ( 145,947)    | 2,946,738     |
| <b>Less Minority Interest Share of Net Income</b>   | ( 69,897)     | ( 69,834)     |
| <b>Excess of Revenues Over (Under) Expenses After Minority Interest</b>                                       | ( 215,844)    | 2,876,904     |
| <b>Contributions for Property and Equipment</b>   | 25,000        | 78,177        |
| <b>Increase (Decrease) in Net Position</b>  | ( 190,844)    | 2,955,081     |
| <b>Net Position Beginning of Year</b>   | 91,465,905    | 88,510,824    |
| <b>Net Position End of Year</b>   | \$ 91,275,061 | \$ 91,465,905 |

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, 2016, and 2015

|  | 2016          | 2015          |
|--|---------------|---------------|
| <b>Cash Flows From Operating Activities:</b>                     |               |               |
| Receipts from patients and other services                        | \$ 70,997,556 | \$ 71,982,796 |
| Payments for supplies and other expenses                         | ( 26,489,791) | ( 24,465,042) |
| Payments to and on behalf of employees                           | ( 42,263,454) | ( 39,650,067) |
|  | 2,244,311     | 7,867,687     |
| <b>Cash Flows From Noncapital Financing Activities:</b>          |               |               |
| County contributions   | 1,252,978     | 1,253,635     |
| Transfers to the county  | ( 1,182,864)  | ( 1,182,864)  |
| Contributions  | 275,183       | 273,377       |
|  | 345,297       | 344,148       |
| <b>Cash Flows From Capital and Related Financing Activities:</b> |               |               |
| Purchase of property and equipment                               | ( 2,592,329)  | ( 2,257,550)  |
| Change in funds restricted under bond indentures                 | 83,553        | 32,204        |
| Proceeds from sale of capital assets                             | 74,115        | 16,624        |
| Proceeds from issuance of notes payable                          | 1,263,128     | -             |
| Principal paid on long-term debt                                 | ( 2,295,196)  | ( 2,030,902)  |
| Interest paid on long-term debt                                  | ( 456,330)    | ( 487,813)    |
|  | ( 3,923,059)  | ( 4,727,437)  |
| <b>Cash Flows From Investing Activities:</b>                     |               |               |
| Transfer of funds designated by Board<br>for capital improvement | 31,089        | ( 2,435,847)  |
| Investment in Mississippi Provider-Sponsored Health Plan         | ( 250,000)    | -             |
| Interest income  | 117,864       | 91,979        |
|  | ( 101,047)    | ( 2,343,868)  |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>      | ( 1,434,498)  | 1,140,530     |
| <b>Cash and Cash Equivalents at Beginning of Year</b>            | 6,377,044     | 5,236,514     |
| <b>Cash and Cash Equivalents at End of Year</b>                  | \$ 4,942,546  | \$ 6,377,044  |

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, 2016, and 2015

|   | 2016                | 2015                |
|---|---------------------|---------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>      |                     |                     |
| Operating income (loss)   | \$ ( 416,064)       | \$ 2,828,789        |
| Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities: |                     |                     |
| Minority interest   | ( 88,200)           | ( 79,379)           |
| Depreciation and amortization   | 5,598,118           | 5,632,211           |
| Provision for uncollectible accounts  | 11,436,899          | 12,323,043          |
| Deferred expense  | ( 7,612)            | 107,389             |
| Bond issue cost   | 42,833              | 42,834              |
| Changes In:   |                     |                     |
| Patient accounts receivable   | ( 12,151,360)       | ( 14,189,324)       |
| Supplies and other current assets   | ( 170,391)          | ( 99,411)           |
| Accounts payable, accrued expenses, and other current liabilities                                   | ( 2,050,335)        | 1,106,479           |
| Estimated third party payments  | 50,423              | 195,056             |
| <b>Net Cash Provided by Operating Activities</b>  | <b>\$ 2,244,311</b> | <b>\$ 7,867,687</b> |

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

The facility entered into capital lease obligations of \$498,303 during the year ended September 30, 2016 and \$276,124 during the year ended September 30, 2015.

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, 2016, and 2015, 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 2016 and 2015 approximated \$672,000 and \$719,000, 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 \$4,076,403 and \$3,986,854 for the years ended September 30, 2016, and 2015, 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 Providers Insurance Company.

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, 2016, 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 (Under) Expenses Before and After Minority Interest** - The statement of revenues, expenses, and changes in net position includes excess of revenues over (under) 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 (under) 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 2016 and 2015, the Hospital received EHR incentive revenue of \$133,680 and \$503,645, 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 \$41,745,140 and \$39,951,883 of unrestricted net position reported in 2016 and 2015, respectively, \$20,550,519 and \$20,401,174, 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, 2016.

**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, 2016, and 2015, are as follows:

| <u>September 30, 2016</u> | <u>Fair Value</u>    | <u>Level 1</u> | <u>Level 2</u>       | <u>Level 3</u> |
|---------------------------|----------------------|----------------|----------------------|----------------|
| MHA Investment Pool       | \$ <u>12,290,149</u> | \$ <u>-</u>    | \$ <u>12,290,149</u> | \$ <u>-</u>    |
|                           |                      |                |                      |                |
| <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>    |

**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, 2016, and 2015, follows:

|                                       | <u>2016</u>          | <u>2015</u>          |
|---------------------------------------|----------------------|----------------------|
| MHA Investment Pool                   | \$ 8,143,759         | \$ 7,995,301         |
| MHA Liability Risk Pool               | 4,041,670            | 3,967,989            |
| Unrealized gain (loss) on investments | <u>104,720</u>       | <u>56,877</u>        |
|                                       | <u>\$ 12,290,149</u> | <u>\$ 12,020,167</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, 2016, and 2015, is composed of the following:

|                                      | 2016          | 2015          |
|--------------------------------------|---------------|---------------|
| Provision for uncollectible accounts | \$ 10,977,081 | \$ 12,043,680 |
| Allowance for Medicare adjustment    | 4,340,507     | 3,894,009     |
| Allowance for Medicaid adjustment    | 2,819,205     | 976,033       |
| Allowance for other adjustments      | 5,329,031     | 6,187,400     |
|                                      | \$ 23,465,824 | \$ 23,101,122 |

**Note 6: Bond Indenture Funds**

The funds held by the trustee as of September 30, 2016, and 2015, 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:

|   | 2016         | 2015         |
|---|--------------|--------------|
| <b>2011 MHEFA Bond:</b>                                       |              |              |
| Construction fund   | -            | 87,107       |
| General account   | 54,659       | 51,242       |
| Total   | 54,659       | 138,349      |
| <b>2013 Revenue Bond:</b>                                     |              |              |
| Debt service reserve fund                                     | 1,211,890    | 1,211,753    |
| Total   | 1,211,890    | 1,211,753    |
| Total Bond Indenture Funds for Revenue and MHEFA Bonds        | 1,266,549    | 1,350,102    |
| Less: Bond principal and interest funds classified as current | ( 1,266,549) | ( 1,326,019) |
| Total Bond Indenture Funds, Excluding Current Portion         | \$ -         | \$ 24,083    |

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, 2016, and 2015, were as follows:

|                              | Balance<br>September 30,<br>2015 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>September 30,<br>2016 |
|------------------------------|----------------------------------|-------------------------------|---------------------------------|----------------------------------|
| Land                         | \$ 1,104,205                     | -                             | -                               | \$ 1,104,205                     |
| Land improvements            | 2,466,970                        | 4,900                         | -                               | 2,471,870                        |
| Buildings and improvements   | 76,237,987                       | 1,117,236                     | ( 10,426)                       | 77,344,797                       |
| Fixed equipment              | 13,275,915                       | 126,318                       | ( 19,671)                       | 13,382,562                       |
| Major movable equipment:     |                                  |                               |                                 |                                  |
| Under capital lease          | 3,181,362                        | 498,303                       | ( 1,361,435)                    | 2,318,230                        |
| Other                        | 32,552,956                       | 2,489,827                     | ( 919,164)                      | 34,123,619                       |
| Minor equipment              | 24,811                           | -                             | -                               | 24,811                           |
| EMS equipment                | 6,514                            | -                             | -                               | 6,514                            |
| OCH Orthopedics              | 96,319                           | 1,910                         | -                               | 98,229                           |
| OCH Pulmonology              | 25,361                           | -                             | ( 18,000)                       | 7,361                            |
| OCH General Surgery          | 22,768                           | 3,389                         | ( 1,745)                        | 24,412                           |
| OCH Regional Health          | 4,849                            | ( 1,910)                      | -                               | 2,939                            |
| OCH Medical Associates       | 14,144                           | -                             | -                               | 14,144                           |
| OCH Urology Associates       | 64,021                           | ( 27,677)                     | ( 36,344)                       | -                                |
| OCH Breast Health Center     | 19,788                           | -                             | -                               | 19,788                           |
| OCH Family Medicine Clinic   | 38,074                           | -                             | -                               | 38,074                           |
| Automobiles                  | 660,511                          | 255,784                       | ( 152,168)                      | 764,127                          |
| Construction in progress     | 112,306                          | 789,489                       | ( 780,503)                      | 121,292                          |
| <b>Total Historical Cost</b> | <b>129,908,861</b>               | <b>5,257,569</b>              | <b>( 3,299,456)</b>             | <b>131,866,974</b>               |

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

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

|   | Balance<br>September 30,<br>2015 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>September 30,<br>2016 |
|---|----------------------------------|-------------------------------|---------------------------------|----------------------------------|
| Less Accumulated Depreciation and Amortization for: |                                  |                               |                                 |                                  |
| Land improvements                                   | ( 2,019,535)                     | ( 71,131)                     | -                               | ( 2,090,666)                     |
| Buildings and improvements                          | ( 29,508,905)                    | ( 2,464,557)                  | 10,426                          | ( 31,963,036)                    |
| Fixed equipment                                     | ( 7,409,314)                     | ( 797,224)                    | 18,460                          | ( 8,188,078)                     |
| Major movable equipment                             | ( 28,705,047)                    | ( 2,165,258)                  | 879,144                         | ( 29,991,161)                    |
| EMS equipment                                       | ( 6,514)                         | -                             | -                               | ( 6,514)                         |
| OCH Orthopedics                                     | ( 21,210)                        | ( 14,522)                     | ( 1,336)                        | ( 37,068)                        |
| OCH Pulmonolgy                                      | ( 23,916)                        | ( 511)                        | 18,000                          | ( 6,427)                         |
| OCH General Surgery                                 | ( 6,109)                         | ( 1,630)                      | 1,275                           | ( 6,464)                         |
| OCH Regional Health                                 | ( 3,225)                         | ( 420)                        | 1,336                           | ( 2,309)                         |
| OCH Medical Associates                              | ( 5,655)                         | ( 1,659)                      | -                               | ( 7,314)                         |
| OCH Urology Associates                              | ( 45,009)                        | ( 4,244)                      | 49,253                          | -                                |
| OCH Breast Health Center                            | ( 16,596)                        | ( 835)                        | -                               | ( 17,431)                        |
| OCH Family Medicine Clinic                          | ( 28,019)                        | ( 2,889)                      | -                               | ( 30,908)                        |
| Automobiles   | ( 577,225)                       | ( 73,238)                     | 152,168                         | ( 498,295)                       |
| Total Accumulated Depreciation and Amortization     | <u>( 68,376,279)</u>             | <u>( 5,598,118)</u>           | <u>1,128,726</u>                | <u>( 72,845,671)</u>             |
| Capital Assets, Net                                 | <u>\$ 61,532,582</u>             | <u>( 340,549)</u>             | <u>( 2,170,730)</u>             | <u>\$ 59,021,303</u>             |

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

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

|                              | Balance<br>September 30,<br>2014 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>September 30,<br>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                          |
| <b>Total Historical Cost</b> | <b>127,971,431</b>               | <b>2,611,852</b>              | <b>( 674,422)</b>               | <b>129,908,861</b>               |

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

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

|   | Balance<br>September 30,<br>2014 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>September 30,<br>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                                 | ( 16,642)                        | ( 2,833)                      | 16,250                          | ( 3,225)                         |
| OCH Medical Associates                              | ( 3,996)                         | ( 1,659)                      | -                               | ( 5,655)                         |
| 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 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 2016 and 2015 follows:

|                                      | Balance<br>9/30/2015 | Additions        | Reductions          | Balance<br>9/30/2016 | Due Within<br>One Year            |
|--------------------------------------|----------------------|------------------|---------------------|----------------------|-----------------------------------|
| <b>Bonds and Notes Payable:</b>      |                      |                  |                     |                      |                                   |
| Bonds payable                        | \$ 14,294,140        | -                | ( 1,260,889)        | \$ 13,033,251        | \$ 1,300,000                      |
| Notes payable                        | -                    | 1,263,128        | ( 137,124)          | 1,126,004            | 267,490                           |
| <b>Total Bonds and Notes Payable</b> | <u>14,294,140</u>    | <u>1,263,128</u> | <u>( 1,398,013)</u> | <u>14,159,255</u>    | <u>1,567,490</u>                  |
| <b>Capital lease obligations</b>     | <u>1,085,459</u>     | <u>498,303</u>   | <u>( 908,683)</u>   | <u>675,079</u>       | <u>363,831</u>                    |
| <b>Total Long-Term Debt</b>          | <u>\$ 15,379,599</u> | <u>1,761,431</u> | <u>( 2,306,696)</u> | <u>\$ 14,834,334</u> | <u>\$ 1,931,321</u>               |
|                                      | Balance<br>9/30/2014 | Additions        | Reductions          | Balance<br>9/30/2015 | Amounts<br>Due Within<br>One Year |
| 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>          | <u>\$ 17,134,377</u> | <u>276,124</u>   | <u>(2,030,902)</u>  | <u>\$ 15,379,599</u> | <u>\$ 2,088,623</u>               |

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, 2016, and 2015, follows:

| <b>Bonds Payable</b>  | 2016          | 2015          |
|---|---------------|---------------|
| 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.  | 3,050,000     | 3,550,000     |
| 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 \$97,987 at September 30, 2016 and \$116,174 at September 30, 2015.   | 8,397,987     | 8,477,080     |
| 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 \$10,538 and premium of \$30,802 at September 30, 2016 and unamortized discount of \$20,293 and premium of \$42,353 at September 30, 2015. | 1,585,264     | 2,267,060     |
| Total Bonds Payable   | \$ 13,033,251 | \$ 14,294,140 |
| <b>Notes Payable</b>  | 2016          | 2015          |
| The Citizens Bank of Philadelphia, 0.91% due in monthly installments with varying principal and interest amounts with final installment due in the year 2020, secured by Stryker 2016 1588 Video Platform.  | 691,088       | -             |
| Morrison Management Specialists, Inc. 2.65 % due in monthly installments with varying principal and interest amounts with final installment due in the year 2020, secured by title to the improvements.   | 434,916       | -             |
| Total Notes Payable   | \$ 1,126,004  | \$ -          |

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

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

|   | 2016       | 2015         |
|---|------------|--------------|
| <b>Capital Lease Obligations</b> , at varying rates of imputed interest from 1.92% to 7.68% collateralized by leased assets with a cost of \$2,318,230 at September 30, 2016 and \$3,181,362 at September 30, 2015. | \$ 675,079 | \$ 1,085,459 |

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

| <u>Year Ended<br/>September 30:</u> | Long-Term Debt |              | Capital Lease Obligations |           |
|-------------------------------------|----------------|--------------|---------------------------|-----------|
|                                     | Principal      | Interest     | Principal                 | Interest  |
| 2017                                | \$ 1,567,490   | \$ 412,939   | \$ 363,831                | \$ 10,816 |
| 2018                                | 1,601,701      | 373,480      | 124,692                   | 6,840     |
| 2019                                | 1,666,504      | 332,937      | 128,087                   | 3,445     |
| 2020                                | 1,735,574      | 283,950      | 58,469                    | 520       |
| 2021                                | 1,480,000      | 233,096      | -                         | -         |
| Thereafter                          | 6,107,986      | 682,378      | -                         | -         |
| Total                               | \$ 14,159,255  | \$ 2,318,780 | \$ 675,079                | \$ 21,621 |

**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 \$0 and \$260,501, for the years ended September 30, 2016, and 2015, 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.

**Medicaid Mississippi Hospital Access Payment and Upper Payment Limit Payment** – During fiscal year ending September 30, 2016, the Mississippi Division of Medicaid phased out the upper payment limit program as it relates to hospitals and replaced it with the Medicaid Mississippi hospital access program. The hospital received Medicaid Mississippi hospital access payments of \$3,240,313 for the year ended September 30, 2016. The Medicaid Mississippi hospital access program is a program whereby the hospital qualifies for Mississippi hospital access program funds in addition to regular funds. The Mississippi Division of Medicaid administers the program through the MississippiCAN coordinated care organizations, and the continuation of the program rests with the federal government.

The hospital received Medicaid upper payment limit payments of \$2,149,285 for the year ended September 30, 2015. The Medicaid upper payment limit program was a program whereby the hospital qualified for upper payment limit funds in addition to regular funds.

**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, 2016, and 2015, amounted to \$714,729 and \$692,828 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 \$1,884,869 in 2016 and \$1,652,296 in 2015.

**Note 11: Profit-Sharing Plan**

The hospital has a profit-sharing plan that covers substantially all of its employees. 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. The hospital's total contribution on to the plan for 2016, and 2015 was \$2,106,586, and \$2,312,008, respectively. The total employee contribution to the plan for 2016, and 2015 was \$1,468,443, and \$1,319,034, respectively.



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, 2016, and 2015, was as follows:

|                                       | 2016 | 2015 |
|---------------------------------------|------|------|
| Medicare                              | 16%  | 15%  |
| Medicaid                              | 11%  | 6%   |
| Patients and other third-party payors | 73%  | 79%  |
|                                       | 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, 2016, and 2015, 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, 2016, and 2015, 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<br>September 30: |    |           |
|-----------------------------|----|-----------|
| 2017                        | \$ | 1,182,864 |
| 2018                        | \$ | 1,182,864 |
| 2019                        | \$ | 1,182,864 |
| 2020                        | \$ | 1,182,864 |
| 2021                        | \$ | 1,182,864 |

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

**Note 15: Other Assets**

Included in Other Assets on the Statements of Net Position is an investment in the Mississippi HealthCare Providers. The hospital is a subscriber in the nonprofit corporation, which seeks to establish a Mississippi provider-sponsored health plan intended to provide provider-sponsored coordinated care and improved access and quality, as compared with for-profit plans. The amount of the hospital's investment was \$250,000 for 2016 and \$0 for 2015. The hospital has elected to report this investment at cost since there is not a market for the ownership interest in the company.

**Note 16: Contingent Liability**

During the year ended September 30, 2016, the hospital was notified by the Internal Revenue Service of the requirements to prepare a Community Needs Assessment for the years ending September 30, 2013, 2014, and 2015. Per the regulations of the Affordable Care Act, not-for-profit hospitals are required to prepare an annual Community Needs Assessment and governmental hospitals are exempt from this requirement. OCH Regional Medical Center is a governmental hospital that also has not-for-profit status; therefore, the hospital meets the requirements set by the Affordable Care Act to complete an annual Community Needs Assessment. OCH Regional Medical Center has completed the Community Needs Assessment in accordance with the requirements of the Affordable Care Act; however, the late preparation and submission of the Community Needs Assessments may result in a penalty. As of the date of the audit report, the likelihood of a penalty is not determinable nor can a potential amount be reasonably estimated.

**Note 17: 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 February 23, 2017, (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, except for the following:

The Oktibbeha County Board of Supervisors have taken formal action to follow the statutory process in accordance with Mississippi Code Section 41-13-15(8) for assessing OCH Regional Medical Center and considering a potential sell/lease. The assessment process has not been completed, and no decision has been made for selling/leasing.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2016, and 2015

|  | 2016           | 2015           |
|--|----------------|----------------|
| <b>Patient Service Revenue:</b>          |                |                |
| <b>Inpatient:</b>                        |                |                |
| Nursing Service:                         |                |                |
| Routine service                          | \$ 6,456,934   | \$ 7,495,771   |
| Swingbeds                                | 491,810        | 226,245        |
| Intensive care                           | 1,225,827      | 1,771,063      |
| Nursery                                  | 1,570,904      | 1,668,102      |
| Other Nursing Service:                   |                |                |
| Operating and recovery room              | 8,123,427      | 7,568,858      |
| Ambulatory surgery                       | 79,273         | 135,962        |
| Heart monitor                            | 113,972        | 112,107        |
| Delivery room                            | 3,370,614      | 3,261,180      |
| Central service and supply               | 2,581,624      | 2,515,232      |
| Intravenous therapy                      | 2,920,788      | 3,337,492      |
| Emergency service                        | 1,220,292      | 1,395,948      |
| Pathology                                | 28,721         | 40,213         |
| Hospitalist                              | 821,819        | 755,814        |
| Total Nursing Service Revenue            | 29,006,005     | 30,283,987     |
| Other Professional Service:              |                |                |
| Laboratory                               | 3,273,561      | 3,385,174      |
| Blood bank                               | 762,370        | 1,001,803      |
| Electrocardiology                        | 198,999        | 180,778        |
| Radiology                                | 609,006        | 788,589        |
| Pharmacy                                 | 7,106,578      | 7,583,116      |
| Anesthesiology                           | 398,059        | 413,447        |
| Respiratory therapy                      | 4,646,135      | 5,253,209      |
| Physical therapy                         | 262,976        | 253,952        |
| Nuclear medicine                         | 9,938          | 23,009         |
| CT scan                                  | 1,374,702      | 1,585,576      |
| Ambulance                                | 363,689        | 398,758        |
| Speech pathology                         | 138,177        | 168,602        |
| Cardiac rehabilitation                   | -              | -              |
| Ultrasound                               | 350,531        | 430,702        |
| MRI                                      | 161,039        | 193,115        |
| Occupational therapy                     | 113,614        | 59,604         |
| Total Other Professional Service Revenue | 19,769,374     | 21,719,434     |
| <br>Total Inpatient Revenue              | <br>48,775,379 | <br>52,003,421 |

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2016, and 2015

|  | 2016               | 2015               |
|--|--------------------|--------------------|
| <b>Outpatient:</b>                       |                    |                    |
| Other Nursing Service:                   |                    |                    |
| Operating and recovery room              | 35,077,378         | 36,119,142         |
| Ambulatory surgery                       | 3,268,199          | 3,371,346          |
| Heart monitor                            | 273,917            | 267,535            |
| Central service and supply               | 2,867,078          | 2,778,400          |
| Intravenous therapy                      | 2,891,982          | 2,880,856          |
| Emergency service                        | 19,832,458         | 20,138,578         |
| Pathology                                | 341,258            | 315,909            |
| Total Nursing Service Revenue            | 64,552,270         | 65,871,766         |
| Other Professional Service:              |                    |                    |
| Laboratory                               | 9,024,859          | 8,597,979          |
| Blood                                    | 579,482            | 539,851            |
| Electrocardiology                        | 1,017,014          | 928,587            |
| Ambulance                                | 2,135,782          | 2,140,204          |
| Radiology                                | 4,997,196          | 5,079,495          |
| Pharmacy                                 | 11,683,664         | 11,894,018         |
| Anesthesiology                           | 9,524,946          | 9,869,035          |
| Respiratory therapy                      | 5,578,785          | 5,516,747          |
| Physical therapy                         | 974,740            | 970,235            |
| Nuclear medicine                         | 976,404            | 872,942            |
| CT scan                                  | 15,493,784         | 16,133,320         |
| Cardiac rehabilitation                   | 255,806            | 183,272            |
| Speech pathology                         | 150,843            | 143,650            |
| Ultrasound                               | 1,196,065          | 1,227,483          |
| MRI                                      | 3,694,716          | 3,631,895          |
| Occupational therapy                     | 307,059            | 330,529            |
| OCH Orthopedics Clinic                   | 1,151,500          | 853,050            |
| Center for Breast Health                 | 1,428,026          | 1,362,216          |
| OCH Pulmonology                          | 550,330            | 528,635            |
| OCH Rural Health Clinic                  | ( 14)              | 5,415              |
| OCH Family Medicine Clinic               | 665,075            | 714,587            |
| OCH General Surgery                      | 2,321.00           | -                  |
| OCH Medical Associates                   | 1,301,567          | 1,382,995          |
| OCH Urology Associates                   | 474,267            | 2,107,022          |
| OCH Center for Pain                      | 5,569,072          | 3,663,890          |
| OCH Hyperbaric Center                    | 633,633            | -                  |
| OCH Wound Care Center                    | 1,760,641          | -                  |
| Total Other Professional Service Revenue | 81,127,563         | 78,677,052         |
| Total Outpatient Revenue                 | 145,679,833        | 144,548,818        |
| <b>Total Patient Service Revenue</b>     | <b>194,455,212</b> | <b>196,552,239</b> |

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2016, and 2015

|  | 2016          | 2015          |
|--|---------------|---------------|
| <b>Contractual Adjustments and Allowances:</b> |               |               |
| Medicare                                       | 41,415,698    | 42,864,374    |
| Medicaid                                       | 24,178,969    | 20,968,314    |
| Blue Cross                                     | 4,054,063     | 1,880,319     |
| Charity care                                   | 2,044,393     | 2,269,239     |
| Medicaid MHAP and UPL payment                  | ( 3,240,313)  | ( 2,149,285)  |
| Medicaid DSH payment                           | -             | ( 260,501)    |
| Administrative and other adjustments           | 45,575,023    | 47,667,366    |
| Total Contractual Adjustments and Allowances   | 114,027,833   | 113,239,826   |
| <b>Provision for Uncollectable Accounts</b>    | 11,436,899    | 12,323,043    |
| <b>Net Patient Service Revenue</b>             | 68,990,480    | 70,989,370    |
| <b>Other Operating Revenue:</b>                |               |               |
| Employee pharmacy sales                        | 403,869       | 328,460       |
| Medical records transcript                     | 24,129        | 22,371        |
| Employee and guest meals                       | 351,429       | 365,370       |
| Commissions - Vending machines                 | 82,122        | 70,069        |
| Medical and surgical supplies                  | 968           | 2,981         |
| Purchase discounts                             | 49,830        | 51,480        |
| Nursery pictures                               | 873           | 575           |
| Wellness Connection fees                       | 771,935       | 730,962       |
| Physician office buildings - rent              | 546,936       | 530,193       |
| Miscellaneous revenue                          | 393,846       | 138,809       |
| Total Other Operating Revenue                  | 2,625,937     | 2,241,270     |
| <b>Electronic Health Records Incentive</b>     | 133,680       | 503,645       |
| <b>Total Operating Revenue</b>                 | \$ 71,750,097 | \$ 73,734,285 |

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Expenses  
Years Ended September 30, 2016, and 2015

|                                     | 2016                        |                          |           | 2015                        |                          |           |
|-------------------------------------|-----------------------------|--------------------------|-----------|-----------------------------|--------------------------|-----------|
|                                     | Salaries<br>and<br>Benefits | Supplies<br>and<br>Drugs | Other     | Salaries<br>and<br>Benefits | Supplies<br>and<br>Drugs | Other     |
| <b>Nursing Services:</b>            |                             |                          |           |                             |                          |           |
| Nursing administration              | \$ 824,492                  | 5,657                    | 7,327     | 779,103                     | 4,574                    | 6,921     |
| Routine services                    | 3,175,021                   | 107,151                  | 41,580    | 3,006,558                   | 146,757                  | 44,775    |
| Intensive care                      | 602,878                     | 15,459                   | 13,192    | 612,792                     | 28,252                   | 14,771    |
| Nursery                             | 767,560                     | 26,731                   | 15,502    | 775,026                     | 26,134                   | 6,827     |
| <b>Other Nursing Services:</b>      |                             |                          |           |                             |                          |           |
| Operating and recovery<br>rooms     | 2,741,644                   | 7,025,359                | 699,870   | 2,721,396                   | 7,328,859                | 737,325   |
| Ambulatory surgery                  | 1,142,772                   | 437,457                  | 53,898    | 1,079,282                   | 361,143                  | 49,636    |
| Delivery room                       | 1,196,268                   | 85,685                   | 75,010    | 1,219,209                   | 89,350                   | 68,919    |
| Central service and<br>supply       | 300,442                     | 767,696                  | 74,752    | 271,152                     | 785,192                  | 78,049    |
| Emergency service                   | 5,390,398                   | 78,404                   | 636,114   | 5,211,166                   | 88,488                   | 458,298   |
| Trauma                              | 65,340                      | 215                      | 686       | 69,079                      | 867                      | 5,533     |
| Hospitalist                         | 436,519                     | 21,778                   | 1,281,990 | 206,472                     | 202                      | 1,290,614 |
| <b>Other Professional Services:</b> |                             |                          |           |                             |                          |           |
| Laboratory                          | 980,778                     | 667,900                  | 711,754   | 919,353                     | 641,303                  | 563,966   |
| Blood bank                          | -                           | -                        | 258,855   | -                           | -                        | 328,575   |
| Electrocardiology                   | 145                         | 2,620                    | 107,458   | 88                          | 2,102                    | 197,359   |
| Radiology                           | 837,186                     | 49,540                   | 260,347   | 808,534                     | 51,666                   | 273,218   |
| Pharmacy                            | 725,105                     | 2,092,636                | 91,292    | 721,324                     | 1,880,157                | 79,408    |
| Anesthesiology                      | 3,364,964                   | 109,193                  | 58,874    | 3,315,605                   | 100,708                  | 100,227   |
| Respiratory therapy                 | 1,306,089                   | 144,480                  | 72,907    | 1,224,611                   | 144,376                  | 67,568    |
| Ambulance                           | 1,177,130                   | 82,656                   | 229,499   | 1,116,761                   | 91,203                   | 218,590   |
| Physical therapy                    | 861,334                     | 22,027                   | 34,153    | 777,437                     | 18,716                   | 33,242    |
| Ultrasound                          | 191,974                     | 3,006                    | 15,540    | 154,537                     | 3,072                    | 10,445    |
| CT scan                             | 105,805                     | 76,595                   | 20,073    | 106,716                     | 81,500                   | 7,632     |
| Nuclear medicine                    | 84,588                      | 130,711                  | 26,991    | 85,299                      | 96,305                   | 27,841    |
| Medical records                     | 950,600                     | 9,505                    | 150,356   | 951,673                     | 12,520                   | 227,465   |
| Social service                      | 122,811                     | 273                      | 3,839     | 94,828                      | 489                      | 355       |
| Cardiac rehabilitation              | 128,305                     | 6,804                    | 11,491    | 123,758                     | 4,596                    | 12,385    |
| Speech pathology                    | 141,001                     | 1,461                    | 228       | 151,769                     | 1,147                    | 1,259     |
| Wellness Center                     | 529,856                     | 14,759                   | 128,322   | 499,535                     | 14,766                   | 139,101   |
| Sports medicine                     | 268,816                     | 6,607                    | 35,939    | 244,387                     | 5,949                    | 35,666    |
| Physician's office                  | 874,994                     | 72,725                   | 320,477   | 892,472                     | 67,589                   | 171,021   |

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Detailed Schedules of Operating Expenses  
Years Ended September 30, 2016, and 2015

|   | 2016                        |                          |            | 2015                        |                          |            |
|---|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
|   | Salaries<br>and<br>Benefits | Supplies<br>and<br>Drugs | Other      | Salaries<br>and<br>Benefits | Supplies<br>and<br>Drugs | Other      |
| <b>Other Professional Services (Continued):</b> |                             |                          |            |                             |                          |            |
| Occupational therapy                            | 280,428                     | 3,951                    | 5,468      | 267,060                     | 5,391                    | 4,169      |
| Breast Health Center                            | 795,787                     | 20,185                   | 121,745    | 786,808                     | 23,351                   | 184,647    |
| OCH General Surgery                             | 5                           | 344                      | 835        | 154                         | 3                        | 2,009      |
| OCH Rural Health Clinic                         | 856                         | -                        | 1,074      | 1,794                       | 277                      | 3,493      |
| OCH Medical Associates                          | 1,036,991                   | 28,019                   | 73,753     | 1,041,726                   | 24,692                   | 49,736     |
| OCH Urology Associates                          | 169,938                     | 47,670                   | 21,424     | 639,207                     | 230,821                  | 51,382     |
| OCH Pulmonology                                 | 460,024                     | 6,476                    | 28,920     | 467,955                     | 6,798                    | 25,330     |
| OCH Center for Pain                             | 794,575                     | 7,785                    | 64,430     | 549,145                     | 6,479                    | 49,634     |
| OCH Hyperbaric Center                           | -                           | 5,406                    | 103,946    | -                           | 522                      | -          |
| OCH Wound Care Center                           | -                           | 72,096                   | 454,837    | -                           | 48,154                   | 22,820     |
| OCH Family Health Clinic                        | 429                         | 5,750                    | 298        | -                           | -                        | -          |
| <b>General Services:</b>                        |                             |                          |            |                             |                          |            |
| Dietary   | 1,119,113                   | 671,169                  | 95,772     | 1,116,219                   | 678,049                  | 95,520     |
| Maintenance                                     | 521,556                     | 53,950                   | 1,537,216  | 536,711                     | 96,777                   | 1,435,294  |
| Housekeeping                                    | 755,832                     | 93,158                   | 92,501     | 789,773                     | 90,964                   | 96,235     |
| Laundry and linen                               | 18,803                      | -                        | 306,834    | 31,428                      | -                        | 357,497    |
| Security  | 291,313                     | 6,870                    | 6,954      | 277,980                     | 10,503                   | 4,026      |
| <b>Administration and Fiscal Services:</b>      |                             |                          |            |                             |                          |            |
| Administrative                                  | 969,368                     | 44,649                   | 1,208,016  | 934,278                     | 46,519                   | 1,678,915  |
| Fiscal  | 4,772,490                   | 160,448                  | 2,269,860  | 4,489,165                   | 252,066                  | 2,124,608  |
| <b>Total</b>                                    | \$ 41,282,323               | 13,293,016               | 11,832,199 | 40,069,325                  | 13,599,348               | 11,442,306 |

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY  
Schedule of Surety Bonds for Officials and Employees  
September 30, 2016

| <u>Name</u>     | <u>Position</u> | <u>Company</u> | <u>Amount of Bond</u> |
|-----------------|-----------------|----------------|-----------------------|
| 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            |
| Don Posey       | Trustee         | Western Surety | \$ 100,000            |
| Neil Amos       | 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. 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 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, 2016, and 2015, 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, and have issued our report thereon dated February 23, 2017.

**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  
February 23, 2017

*Watkins Ward and Stafford, PLLC*



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

|                             |                            |
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| J. Randy Scrivner, CPA      | Perry C. Rackley, Jr., CPA |

**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, 2016, and 2015, and have issued our report thereon dated February 23, 2017.

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  
 February 23, 2017

*Watkins Ward and Stafford, PLLC*