

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

CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2017

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
September 30, 2017

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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, 2017, and 2016, 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, 2017, and 2016, 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, 2017, and 2016, 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, 2017, and 2016, and the schedule of surety bonds for officials and employees (pages 33 to 38) 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, 2017, and 2016, 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, 2017, and 2016, 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 March 30, 2018, 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
March 30, 2018

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, 2017, and 2016

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, 2017, and 2016. 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 2017 by \$5,231,702 or 5.61%, and increased in 2016 by \$1,784,083, or 1.95%.
- ◆ The hospital reported an operating loss in 2017 of \$5,369,270 and an operating income of \$1,558,863 in 2016.
- ◆ Nonoperating expenses increased by \$93,105, or 5.70%, in 2017 compared to 2016. Nonoperating expenses decreased in 2016 by \$58,689, or 3.47%, compared to 2015.
- ◆ Nonoperating revenues increased by \$22,439, or 1.18%, in 2017 compared to 2016. Nonoperating revenues increased by \$93,479, or 5.17%, in 2016 compared to 2015.

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 6. 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, 2017, and 2016

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 2017 by \$5,231,702 or 5.61%, and increased in 2016 by \$1,784,083, or 1.95%, 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, 2017, and 2016

THE HOSPITAL'S NET POSITION (Continued)

Table 1: Assets, Liabilities and Net Position

	2017	2016	2015
Assets:			
Current assets	\$ 31,516,436	\$ 30,309,706	\$ 28,889,786
Capital assets, net	56,801,446	59,021,303	61,532,582
Other assets	1,381,609	1,243,787	1,028,566
Other noncurrent assets	20,889,529	24,626,922	24,412,111
Total Assets	<u>110,589,020</u>	<u>115,201,718</u>	<u>115,863,045</u>
Liabilities:			
Current liabilities	10,696,452	9,006,243	11,045,387
Long-term debt outstanding	11,836,335	12,903,013	13,290,976
Total Liabilities	<u>22,532,787</u>	<u>21,909,256</u>	<u>24,336,363</u>
Minority Interest in Subsidiary	<u>37,947</u>	<u>42,474</u>	<u>60,777</u>
Net Position:			
Invested in capital assets, net of related debt	42,965,032	44,186,969	46,177,066
Restricted:			
Restricted under bond agreement	1,266,616	1,266,549	1,350,102
Restricted for liability risk	4,068,308	4,076,403	3,986,854
Unrestricted	39,718,330	43,720,067	39,951,883
Total Net Position	<u>88,018,286</u>	<u>93,249,988</u>	<u>91,465,905</u>
Total Liabilities and Net Position	<u>\$ 110,589,020</u>	<u>\$ 115,201,718</u>	<u>\$ 115,863,045</u>

The change in the hospital's assets is due to several factors. Cash decreased by \$2,249,965, or 45.52%, compared to 2016. Patient accounts receivable, net of estimated uncollectibles and allowances, increased by \$2,799,631, or 13.35%, compared to 2016. Board restricted funds decreased by \$3,737,393 or 15.18% compared to 2016.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Management's Discussion and Analysis
Years Ended September 30, 2017, and 2016

OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION

Table 2: Operating Results

	2017	2016	2015
Operating Revenues:			
Net patient service revenues	\$ 67,394,891	\$ 70,965,407	\$ 70,989,370
Other revenues	2,276,206	2,625,937	2,241,270
Electronic health records incentive	37,845	133,680	503,645
Total Operating Revenues	<u>69,708,942</u>	<u>73,725,024</u>	<u>73,734,285</u>
Operating Expenses:			
Salaries and benefits	42,832,676	41,282,323	40,069,839
Supplies and drugs	14,509,813	13,293,016	13,599,348
Other operating expenses	12,077,152	11,832,199	11,441,792
Insurance	169,543	160,505	162,306
Depreciation and amortization	5,489,028	5,598,118	5,632,211
Total Operating Expenses	<u>75,078,212</u>	<u>72,166,161</u>	<u>70,905,496</u>
Operating Income (Loss)	<u>(5,369,270)</u>	<u>1,558,863</u>	<u>2,828,789</u>
Nonoperating Revenues (Expenses):			
Contributions	1,080	4,085	2,125
Ambulance contributions	239,023	271,098	271,252
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	189,187	117,864	91,979
Investment income (loss)	(24,408)	269,983	261,016
Interest expense	(407,060)	(449,734)	(484,015)
ROA Settlement	313,000	-	-
Gain on extinguishment of debt	-	11,500	-
Gain (Loss) on disposal of capital assets	(111,371)	45,321	(24,408)
Total Nonoperating Revenues (Expenses)	<u>199,451</u>	<u>270,117</u>	<u>117,949</u>
Excess of Revenues Over (Under) Expenses Before Minority Interest	<u>(5,169,819)</u>	<u>1,828,980</u>	<u>2,946,738</u>
Minority Interest Share of Net Income	<u>(69,953)</u>	<u>(69,897)</u>	<u>(69,834)</u>
Excess of Revenues Over (Under) Expenses After Minority Interest	<u>(5,239,772)</u>	<u>1,759,083</u>	<u>2,876,904</u>
Contributions for Property and Equipment	<u>8,070</u>	<u>25,000</u>	<u>78,177</u>
Increase (Decrease) in Net Position	<u>(5,231,702)</u>	<u>1,784,083</u>	<u>2,955,081</u>
Net Position Beginning of Year as Restated	<u>93,249,988</u>	<u>91,465,905</u>	<u>88,510,824</u>
Net Position End of Year as Restated	<u>\$ 88,018,286</u>	<u>\$ 93,249,988</u>	<u>\$ 91,465,905</u>

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Management's Discussion and Analysis
Years Ended September 30, 2017, and 2016

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

Operating Income (Loss)

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

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

- ◆ A decrease in the Medicaid MHAP, Medicaid UPL, and Medicaid DSH programs of \$610,892, or 21.43% in 2017 compared to 2016, and an increase of \$440,697, or 18.29% in 2016 compared to 2015.
- ◆ A decrease in net patient service revenues of \$3,570,516, or 5.03% in 2017 compared to 2016, and a decrease of \$23,963, or 0.03% in 2016 compared to 2015.
- ◆ An increase in employee salary and benefits expenses of \$1,550,353, or 3.76% in 2017 compared to 2016, and an increase of \$1,212,484, or 3.03% in 2016 compared to 2015.
- ◆ An increase in supplies and drugs of \$1,216,797, or 9.15%, in 2017 compared to 2016, and a decrease of \$306,332, or 2.25%, in 2016 compared to 2015.
- ◆ An increase in other operating expense of \$244,953, or 2.07%, in 2017 compared to 2016, and an increase of \$390,407, or 3.41%, in 2016 compared to 2015.
- ◆ A decrease in depreciation and amortization expense of \$109,090, or 1.95%, in 2017 compared to 2016, and a decrease of \$34,093, or 0.61%, in 2016 compared to 2015.
- ◆ Electronic health records incentive funds received of \$37,845, and \$133,680, in 2017, and 2016, respectively.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of contributions, interest income and ROA settlement. The hospital had interest income of \$189,187 for the year ended September 30, 2017, and \$117,864 for the year ended September 30, 2016. The hospital had contributions of \$1,422,967 for the year ended September 30, 2017, and \$1,458,047 for the year ended September 30, 2016. The hospital received a settlement from Reciprocal of America of \$313,000 in 2017.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Management's Discussion and Analysis
Years Ended September 30, 2017, and 2016

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

Nonoperating Revenues and Expenses (Continued)

Nonoperating expenses for the year 2017 consist of interest expense, investment loss, loss on disposal of assets and transfers to the county. The hospital had interest expense of \$407,060 for the year ended September 30, 2017, and \$449,734 for the year ended September 30, 2016. The hospital had investment loss of \$24,408 for the year ended September 30, 2017, compared to investment income of \$269,983 in 2016. The hospital had a loss on disposal of assets of \$111,371 in 2017, and a gain of \$45,321 in 2016. The hospital transferred \$1,182,864 to the county during the year ended September 30, 2017, and \$1,182,864 during 2016.

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 \$56,801,446 invested in capital assets, net of accumulated depreciation at September 30, 2017, and \$59,021,303 at September 30, 2016. The hospital had capital expenditures of \$3,401,789, and \$5,257,569, in 2017 and 2016, respectively.

Debt

At September 30, 2017, the hospital had \$13,836,414 in long-term debt outstanding. The hospital incurred new debt, including notes and leases, in 2017 of \$1,155,214 while making \$2,153,134 in principal payments. In 2016, the hospital had \$14,834,334 in long-term debt outstanding, including new debt of \$1,761,431 while making \$2,295,196 in principal payments in addition to having \$11,500 of debt forgiven.

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, 2017, and 2016

	2017	2016 As Restated
Assets		
Current Assets:		
Cash	\$ 2,692,581	\$ 4,942,546
Cash - Restricted under bond agreement for payment of current bond principal and interest	1,266,616	1,266,549
Patient accounts receivables (Net of estimated uncollectibles and allowances of \$26,150,689 in 2017, and \$23,465,824 in 2016)	23,770,510	20,970,879
Other receivables	323,976	207,060
Estimated third-party payor settlements	177,481	90,232
Current portion of deferred expense	253,604	217,503
Inventories of supplies and drugs	1,840,009	1,827,900
Prepaid expenses	1,191,659	787,037
Total Current Assets	31,516,436	30,309,706
Noncurrent Cash and Investments:		
Cash - Designated by Board for capital improvements	8,623,787	12,336,773
MHA investment - Designated by Board for capital improvement	8,197,434	8,213,746
MHA investment - Restricted for liability risk	4,068,308	4,076,403
Total Noncurrent Cash and Investments	20,889,529	24,626,922
Capital Assets:		
Land	1,104,205	1,104,205
Depreciable capital assets (Net of accumulated depreciation and amortization of \$77,029,803 in 2017, and \$72,845,671 in 2016)	55,255,882	57,795,806
Construction in progress	441,359	121,292
Total Capital Assets	56,801,446	59,021,303
Other Assets:		
Bond issue cost (Net of accumulated amortization of \$191,191 in 2017, and \$148,358 in 2016)	279,346	322,180
Deferred expense	702,263	671,607
MHA investment - Mississippi Provider-Sponsored Health Plan	400,000	250,000
Total Other Assets	1,381,609	1,243,787
Total Assets	\$ 110,589,020	\$ 115,201,718

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, 2017, and 2016

	2017	2016 As Restated
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	\$ 3,476,835	\$ 2,331,358
Patient accounts receivable, credit balances	1,018,726	744,244
Accrued payroll and annual leave	3,881,157	3,629,997
Accrued expenses	68,269	72,429
Estimated third-party payor settlements		113,611
Deferred income	251,386	183,283
Current maturities of capital lease obligations	298,221	363,831
Current maturities of notes payable	386,858	267,490
Current maturities of bonds payable	1,315,000	1,300,000
Total Current Liabilities	10,696,452	9,006,243
Long-Term Debt:		
Capital lease obligations	437,563	311,248
Notes payable	994,598	858,514
Bonds payable, net of unamortized discount	10,404,174	11,733,251
Total Long-Term Debt, Net of Current Maturities	11,836,335	12,903,013
Total Liabilities	22,532,787	21,909,256
Minority Interest in Subsidiary	37,947	42,474
Net Position:		
Invested in capital assets, net of related debt	42,965,032	44,186,969
Restricted:		
Restricted under bond agreement	1,266,616	1,266,549
Restricted for liability risk	4,068,308	4,076,403
Unrestricted	39,718,330	43,720,067
Total Net Position	88,018,286	93,249,988
Total Liabilities and Net Position	\$ 110,589,020	\$ 115,201,718

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, 2017, and 2016

	2017	2016 As Restated
Operating Revenue:		
Net patient service revenue (Net of provision for bad debts of \$10,950,247 in 2017, and \$11,436,899 in 2016)	\$ 67,394,891	\$ 70,965,407
Other operating revenue	2,276,206	2,625,937
Electronic health records incentive	37,845	133,680
Total Operating Revenue	69,708,942	73,725,024
Operating Expenses:		
Salaries and benefits	42,832,676	41,282,323
Supplies and drugs	14,509,813	13,293,016
Other operating expenses	12,077,152	11,832,199
Insurance	169,543	160,505
Depreciation and amortization	5,489,028	5,598,118
Total Operating Expenses	75,078,212	72,166,161
Operating Income (Loss)	(5,369,270)	1,558,863
Nonoperating Revenues (Expenses):		
Contributions	1,080	4,085
Ambulance contributions	239,023	271,098
County contributions	1,182,864	1,182,864
Transfers to county	(1,182,864)	(1,182,864)
Interest income	189,187	117,864
Investment income (loss)	(24,408)	269,983
Interest expense	(407,060)	(449,734)
ROA settlement	313,000	-
Gain on extinguishment of debt	-	11,500
Gain (Loss) on disposal of assets	(111,371)	45,321
Total Nonoperating Revenues (Expenses)	199,451	270,117
Excess of Revenues Over (Under) Expenses Before Minority Interest	(5,169,819)	1,828,980
Less Minority Interest Share of Net Income	(69,953)	(69,897)
Excess of Revenues Over (Under) Expenses After Minority Interest	(5,239,772)	1,759,083
Contributions for Property and Equipment	8,070	25,000
Increase (Decrease) in Net Position	(5,231,702)	1,784,083
Net Position Beginning of Year as Restated	93,249,988	91,465,905
Net Position End of Year as Restated	\$ 88,018,286	\$ 93,249,988

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, 2017, and 2016

	2017	2016 As Restated
Cash Flows From Operating Activities:		
Receipts from patients and other services	\$ 66,906,857	\$ 70,997,556
Payments for supplies and other expenses	(26,295,651)	(26,489,790)
Payments to and on behalf of employees	(42,139,870)	(42,263,454)
	(1,528,664)	2,244,312
Cash Flows From Noncapital Financing Activities:		
County contributions	1,250,967	1,252,978
Transfers to the county	(1,182,864)	(1,182,864)
Contributions	240,103	275,183
	308,206	345,297
Cash Flows From Capital and Related Financing Activities:		
Purchase of property and equipment	(2,815,894)	(2,592,329)
Change in funds restricted under bond indentures	(67)	83,553
Proceeds from sale of capital assets	-	74,115
Proceeds from issuance of notes payable	577,390	1,263,128
Principal paid on long-term debt	(2,131,889)	(2,295,196)
Interest paid on long-term debt	(411,220)	(456,330)
	(4,781,680)	(3,923,059)
Cash Flows From Investing Activities:		
Transfer of funds designated by Board for capital improvement	3,712,986	31,088
Investment in Mississippi Provider-Sponsored Health Plan	(150,000)	(250,000)
Interest income	189,187	117,864
	3,752,173	(101,048)
Net Decrease in Cash and Cash Equivalents	(2,249,965)	(1,434,498)
Cash and Cash Equivalents at Beginning of Year	4,942,546	6,377,044
Cash and Cash Equivalents at End of Year	\$ 2,692,581	\$ 4,942,546

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, 2017, and 2016

	2017	2016 As Restated
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (5,369,270)	\$ 1,558,863
Adjustment to Reconcile Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:		
Minority interest	(74,480)	(88,200)
Depreciation and amortization	5,489,028	5,598,118
Provision for uncollectible accounts	10,950,247	11,436,899
Deferred expense	(66,757)	(7,612)
Bond issue cost	42,834	42,833
Changes In:		
Patient accounts receivable	(13,475,396)	(14,126,287)
Supplies and other current assets	(220,647)	(170,390)
Accounts payable, accrued expenses, and other current liabilities	1,396,637	(2,050,335)
Estimated third party payments	(200,860)	50,423
Net Cash Provided (Used) by Operating Activities	\$ (1,528,664)	\$ 2,244,312

Noncash Investing, Capital and Financing Activities:

The facility entered into capital lease obligations of \$577,824 during the year ended September 30, 2017, and \$498,303 during the year ended September 30, 2016.

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

a. 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.

b. 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.

c. 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.

d. 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)

e. 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.

f. 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

g. 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 \$11,940, and \$6,943, in interest for the years ended September 30, 2017, and 2016, respectively.

h. 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.

i. 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.

j. 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)

k. 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.

l. 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.

m. 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 2017, and 2016, approximated \$638,000, and \$672,000, respectively.

n. 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 \$4,068,308 and \$4,076,403 for the years ended September 30, 2017, and 2016, 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, 2017, 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)

o. 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.

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

q. 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).

r. 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 2017, and 2016, the Hospital received EHR incentive revenue of \$37,845, and \$133,680, respectively. EHR incentive revenues are included in operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Note 2: Designated Net Position

Of the \$39,718,330, and \$43,720,067, of unrestricted net position reported in 2017, and 2016, respectively, \$16,821,221, and \$20,550,519, 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 facility 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 27-105-5 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, 2017.

Custodial Credit Risk – Deposits – Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the facility will not be able to recover deposits or collateral securities that are in the possession of an outside party. The facility does not have a deposit policy for custodial credit risk. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the facility. As of September 30, 2017, none of the facility's bank balance was exposed to custodial credit risk.

Interest Rate Risk – The facility does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The facility does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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.

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

Note 4: Fair Value Measurements (Continued)

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.

Fair values of assets measured on a recurring basis at September 30, 2017, and 2016, are as follows:

<u>September 30, 2017</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
MHA Investment Pool	\$ <u>12,265,742</u>	\$ <u>-</u>	\$ <u>12,265,742</u>	\$ <u>-</u>
<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>

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, 2017, and 2016, follows:

	<u>2017</u>	<u>2016</u>
MHA Investment Pool	\$ 8,297,319	\$ 8,143,759
MHA Liability Risk Pool	4,117,879	4,041,670
Unrealized gain (loss) on investments	<u>(149,456)</u>	<u>104,720</u>
	<u>\$ 12,265,742</u>	<u>\$ 12,290,149</u>

The hospital has funds invested in the Mississippi Hospital Association pool investment program, which are not required to be 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, 2017, and 2016, is composed of the following:

	2017	2016
Provision for uncollectible accounts	\$ 10,027,276	\$ 10,977,081
Allowance for Medicare adjustment	6,311,174	4,340,507
Allowance for Medicaid adjustment	3,668,096	2,819,205
Allowance for other adjustments	6,144,143	5,329,031
	\$ 26,150,689	\$ 23,465,824

Note 6: Bond Indenture Funds

The funds held by the trustee as of September 30, 2017, and 2016, 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:

	2017	2016
2011 MHEFA Bond:		
General account	52,948	54,659
2013 Revenue Bond:		
Debt service reserve fund	1,213,668	1,211,890
Total Bond Indenture Funds for Revenue and MHEFA Bonds	1,266,616	1,266,549
Less: Bond principal and interest funds classified as current	(1,266,616)	(1,266,549)
Total Bond Indenture Funds, Excluding Current Portion	\$ -	\$ -

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, 2017, and 2016, were as follows:

	Balance September 30, 2016	Additions and Transfers	Retirements and Transfers	Balance September 30, 2017
Land	\$ 1,104,205	-	-	\$ 1,104,205
Land improvements	2,471,870	67,718	5,095	2,544,683
Buildings and improvements	77,344,797	35,810	58,765	77,439,372
Fixed equipment	13,382,562	117,222	305,360	13,805,144
Major movable equipment:				
Under capital lease	2,318,230	577,824	(1,819,925)	1,076,129
Other	34,123,619	1,736,073	525,896	36,385,588
Minor equipment	24,811	-	-	24,811
EMS equipment	6,514	-	-	6,514
OCH Orthopedics	98,229	-	-	98,229
OCH Pulmonology	7,361	-	-	7,361
OCH General Surgery	24,412	-	-	24,412
OCH Regional Health	2,939	-	-	2,939
OCH Medical Associates	14,144	-	-	14,144
OCH Breast Health Center	19,788	-	-	19,788
OCH Family Medicine Clinic	38,074	-	-	38,074
Automobiles	764,127	44,862	(10,492)	798,497
Construction in progress	121,292	822,280	(502,213)	441,359
Total Historical Cost	131,866,974	3,401,789	(1,437,514)	133,831,249

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

Note 7: Capital Assets (Continued)

	Balance September 30, 2016	Additions and Transfers	Retirements and Transfers	Balance September 30, 2017
Less Accumulated Depreciation and Amortization for:				
Land improvements	(2,090,666)	(71,009)	-	(2,161,675)
Buildings and improvements	(31,963,036)	(2,456,002)	-	(34,419,038)
Fixed equipment	(8,188,078)	(790,001)	58,709	(8,919,370)
Major movable equipment	(29,991,161)	(2,058,260)	1,246,187	(30,803,234)
EMS equipment	(6,514)	-	-	(6,514)
OCH Orthopedics	(37,068)	(14,331)	-	(51,399)
OCH Pulmonolgy	(6,427)	(373)	-	(6,800)
OCH General Surgery	(6,464)	(1,634)	-	(8,098)
OCH Regional Health	10,337	(420)	-	9,917
OCH Medical Associates	(19,960)	(1,659)	-	(21,619)
OCH Breast Health Center	(17,431)	(835)	-	(18,266)
OCH Family Medicine Clinic	(30,908)	(2,776)	-	(33,684)
Automobiles	(498,295)	(91,728)	-	(590,023)
Total Accumulated Depreciation and Amortization	<u>(72,845,671)</u>	<u>(5,489,028)</u>	<u>1,304,896</u>	<u>(77,029,803)</u>
Capital Assets, Net	<u>\$ 59,021,303</u>	<u>(2,087,239)</u>	<u>(132,618)</u>	<u>\$ 56,801,446</u>

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

Note 7: Capital Assets (Continued)

	Balance September 30, 2015	Additions and Transfers	Retirements and Transfers	Balance September 30, 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
Total Historical Cost	129,908,861	5,257,569	(3,299,456)	131,866,974

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

Note 7: Capital Assets (Continued)

	Balance September 30, 2015	Additions and Transfers	Retirements and Transfers	Balance September 30, 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	9,421	(420)	1,336	10,337
OCH Medical Associates	(18,301)	(1,659)	-	(19,960)
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 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 2017, and 2016, follows:

	Balance 9/30/2016	Additions	Reductions	Balance 9/30/2017	Amounts Due Within One Year
Bonds and Notes Payable:					
Bonds payable	\$ 13,033,251	-	(1,314,077)	\$ 11,719,174	\$ 1,315,000
Notes payable	1,126,004	577,390	(321,938)	1,381,456	386,858
Total Bonds and Notes Payable	<u>14,159,255</u>	<u>577,390</u>	<u>(1,636,015)</u>	<u>13,100,630</u>	<u>1,701,858</u>
Capital lease obligations	<u>675,079</u>	<u>577,824</u>	<u>(517,119)</u>	<u>735,784</u>	<u>298,221</u>
Total Long-Term Debt	<u>\$ 14,834,334</u>	<u>1,155,214</u>	<u>(2,153,134)</u>	<u>\$ 13,836,414</u>	<u>\$ 2,000,079</u>
	Balance 9/30/2015	Additions	Reductions	Balance 9/30/2016	Amounts Due Within One Year
Bonds and Notes Payable:					
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
Total Bonds and Notes Payable	<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>
Capital lease obligations	<u>1,085,459</u>	<u>498,303</u>	<u>(908,683)</u>	<u>675,079</u>	<u>363,831</u>
Total Long-Term Debt	<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>

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, 2017, and 2016, follows:

Bonds Payable	<u>2017</u>	<u>2016</u>
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.	2,510,000	3,050,000
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 \$88,894 at September 30, 2017 and \$97,987 at September 30, 2016.	8,318,894	8,397,987
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 \$3,971 and premium of \$19,251 at September 30, 2017 and unamortized discount of \$10,538 and premium of \$30,802 at September 30, 2016.	<u>890,280</u>	<u>1,585,264</u>
Total Bonds Payable	<u>\$ 11,719,174</u>	<u>\$ 13,033,251</u>
Notes Payable	<u>2017</u>	<u>2016</u>
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.	513,152	691,088
Morrisons 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.	327,907	434,916

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

Note 8: Long-Term Debt (Continued)

The Citizens Bank of Philadelphia, 1.66% due in monthly installments with varying principal and interest amounts with final installment due in the year 2022, secured by Ultrasound equipment.

	540,397	-
Total Notes Payable	\$ 1,381,456	\$ 1,126,004

	2017	2016
Capital Lease Obligations , at varying rates of imputed interest from 1.92% to 7.68% collateralized by leased assets with a cost of \$1,076,129 at September 30, 2017 and \$2,318,230 at September 30, 2016.	\$ 735,784	\$ 675,079

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

Year Ended September 30:	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2018	\$ 1,702,101	\$ 380,970	\$ 298,221	\$ 19,427
2019	1,775,662	339,284	324,493	10,550
2020	1,836,330	303,684	113,070	1,390
2021	1,597,905	235,682	-	-
2022	1,204,739	188,832	-	-
Thereafter	4,983,894	494,175	-	-
Total	\$ 13,100,630	\$ 1,942,627	\$ 735,784	\$ 31,367

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:

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

Note 9: Net Patient Service Revenue (Continued)

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, 2014.

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.

Medicaid Disproportionate Share Payment - The hospital received Medicaid disproportionate share payments of \$0, and \$0, for the years ended September 30, 2017, and 2016, 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 – The hospital received Medicaid Mississippi hospital access payments of \$2,625,047 for the year ended September 30, 2017, and \$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 Mississippi CAN coordinated care organizations, and the continuation of the program rests with the federal government.

Note 10: Medical Benefit Plan

The hospital adopted a self-funded medical benefit plan on May 1, 1980, covering substantially all of its employees and certain dependents of the employees. The total medical benefit expense for the years ended September 30, 2017, and 2016, amounted to \$1,216,059, and \$714,729, 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 \$2,197,506 in 2017, and \$1,884,869 in 2016.

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

Note 11: Employee Retirement Plan

The hospital has a retirement plan with discretionary employer contributions by the hospital for IRS approved section 401(a) and 403(b) accounts and non-employer contributions to 457(b) accounts. The 401(a) has employer discretionary percentage contribution of current and/or accumulated net profits each year, with a base of 7.5% of the qualifying employee' total effective earnings for that year. The 403(b) has employer discretionary contributions with a 50% match of employees' elective contributions up to 5%. A qualifying employee is fully vested after five years of credited services. The hospital's total discretionary contributions to the 401(a) and 403(b) accounts on the plans for 2017, and 2016 was \$1,557,981, and \$2,106,586 respectively. The total employees' elective contributions to the 403(b) account on the plan for 2017, and 2016 were \$1,448,215 and \$1,468,443, respectively. The 457(b) is a deferred compensation plan with employees' elective contributions. The total employees' elective contributions to the 457(b) account on the plan for 2017, and 2016 was \$169,227 and \$231,314, respectively.

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, 2017, and 2016, was as follows:

	2017	2016
Medicare	21%	16%
Medicaid	12%	11%
Patients and other third-party payors	67%	73%
	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, 2017, and 2016, has not been estimated. Management does not expect any significant liability to result from these legal proceedings.

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

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, 2017, and 2016, 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:

<u>Year Ended</u> <u>September 30:</u>	
2018	\$ 1,182,864
2019	\$ 1,182,864
2020	\$ 1,182,864
2021	\$ 1,182,864
2022	\$ 1,182,864

Note 15: Other Assets

Included in Other Assets on the Statements of Net Position is an investment in Mississippi TRUE. 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 as of September 30, 2017 and 2016 was \$400,000 and \$250,000 respectively. The hospital has elected to report this investment at cost since there is not a market for the ownership interest in the company.

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

Note 16: Restatement

During FY 2017, the billing department began appealing claims that were being underpaid by two third-party payors. From October 2016 to September 2017, the billing department exhausted all efforts for getting claims paid correctly and the matter was brought to Administration's attention. At that time, Administration requested a detailed claims listing to support its efforts for a disputed claims resolution process and to provide documentation of the requested claims repayment. The claims resolution process is underway and successful payment recovery has occurred on some claims. As a result, the net position at the beginning of the year September 30, 2016 has been restated to properly reflect a receivable not previously reported. The results of the restatement was an increase of \$1,974,927 in patient accounts receivable as of September 30, 2016 and a resulting increase of \$1,974,927 in net position as of September 30, 2016.

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 March 30, 2018, (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 took formal action in May 2017 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. In June 2017, the supervisors adjudicated that there were sufficient petition of qualified electors of Oktibbeha County and approved holding a local issue election of whether or not the county shall be authorized to sell or lease with an option to sell the hospital. The issue election was set for November 7, 2017. The qualified electors voted not to sell or lease the hospital with 58.54% against and 41.46% for the sale or lease.

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Detailed Schedules of Operating Revenues
Years Ended September 30, 2017, and 2016

	2017	2016 As Restated
Patient Service Revenue:		
Inpatient:		
Nursing Service:		
Routine service	\$ 6,531,170	\$ 6,456,934
Swingbeds	587,962	491,810
Intensive care	1,115,563	1,225,827
Nursery	1,859,511	1,570,904
Other Nursing Service:		
Operating and recovery room	8,158,531	8,123,427
Ambulatory surgery	77,936	79,273
Heart monitor	111,207	113,972
Delivery room	3,602,140	3,370,614
Central service and supply	2,523,393	2,581,624
Intravenous therapy	2,728,947	2,920,788
Emergency service	1,208,128	1,220,292
Pathology	25,176	28,721
Hospitalist	839,584	821,819
Total Nursing Service Revenue	29,369,248	29,006,005
Other Professional Service:		
Laboratory	3,000,316	3,273,561
Blood bank	785,167	762,370
Electrocardiology	163,129	198,999
Radiology	679,519	609,006
Pharmacy	7,217,003	7,106,578
Anesthesiology	410,604	398,059
Respiratory therapy	5,646,408	4,646,135
Physical therapy	277,350	262,976
Nuclear medicine	12,759	9,938
CT scan	1,463,451	1,374,702
Ambulance	325,786	363,689
Speech pathology	162,571	138,177
Ultrasound	275,636	350,531
MRI	183,991	161,039
Occupational therapy	95,575	113,614
Total Other Professional Service Revenue	20,699,265	19,769,374
Total Inpatient Revenue	50,068,513	48,775,379

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Detailed Schedules of Operating Revenues
Years Ended September 30, 2017, and 2016

	2017	2016 As Restated
Outpatient:		
Other Nursing Service:		
Operating and recovery room	39,098,400	35,077,378
Ambulatory surgery	3,910,899	3,268,199
Heart monitor	252,869	273,917
Central service and supply	2,744,637	2,867,078
Intravenous therapy	2,643,492	2,891,982
Emergency service	19,570,557	19,832,458
Pathology	331,345	341,258
Total Nursing Service Revenue	68,552,199	64,552,270
Other Professional Service:		
Laboratory	9,568,196	9,024,859
Blood	516,361	579,482
Electrocardiology	1,188,789	1,017,014
Ambulance	2,210,774	2,135,782
Radiology	5,303,249	4,997,196
Pharmacy	11,594,829	11,683,664
Anesthesiology	9,175,637	9,524,946
Respiratory therapy	6,022,966	5,578,785
Physical therapy	1,135,012	974,740
Nuclear medicine	1,331,870	976,404
CT scan	16,001,616	15,493,784
Cardiac rehabilitation	455,014	255,806
Speech pathology	138,492	150,843
Ultrasound	1,241,271	1,196,065
MRI	3,643,868	3,694,716
Occupational therapy	344,030	307,059
OCH Orthopedics Clinic	1,826,287	1,151,500
Center for Breast Health	1,460,076	1,428,026
OCH Pulmonology	539,835	550,330
OCH Rural Health Clinic	54	(14)
OCH Family Medicine Clinic	796,693	665,075
OCH General Surgery	2,289	2,321
OCH Medical Associates	647,400	1,301,567
OCH Urology Associates	(9,777)	474,267
OCH Center for Pain	7,245,693	5,569,072
OCH Hyperbaric Center	662,811	633,633
OCH Wound Care Center	1,890,602	1,760,641
Total Other Professional Service Revenue	84,933,937	81,127,563
Total Outpatient Revenue	153,486,136	145,679,833
Total Patient Service Revenue	203,554,649	194,455,212

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Detailed Schedules of Operating Revenues
Years Ended September 30, 2017, and 2016

	2017	2016 As Restated
Contractual Adjustments and Allowances:		
Medicare	47,908,976	41,415,698
Medicaid	22,416,221	21,814,212
Blue Cross	2,058,709	4,054,063
Charity care	1,963,282	2,044,393
Medicaid MHAP and UPL payment	(2,625,047)	(3,240,313)
Medicaid DSH payment	385,456	389,830
Administrative and other adjustments	53,101,914	45,575,023
Total Contractual Adjustments and Allowances	125,209,511	112,052,906
Provision for Uncollectable Accounts	10,950,247	11,436,899
Net Patient Service Revenue	67,394,891	70,965,407
Other Operating Revenue:		
Employee pharmacy sales	406,169	403,869
Medical records transcript	19,549	24,129
Employee and guest meals	395,872	351,429
Commissions - Vending machines	55,740	82,122
Medical and surgical supplies	1,347	968
Purchase discounts	22,016	49,830
Nursery pictures	288	873
Wellness Connection fees	746,177	771,935
Physician office buildings - rent	473,272	546,936
Miscellaneous revenue	155,776	393,846
Total Other Operating Revenue	2,276,206	2,625,937
Electronic Health Records Incentive	37,845	133,680
Total Operating Revenue	\$ 69,708,942	\$ 73,725,024

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Detailed Schedules of Operating Expenses
Years Ended September 30, 2017, and 2016

	2017			2016 As Restated		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
Nursing Services:						
Nursing administration	\$ 877,147	9,447	14,450	824,492	5,657	7,327
Routine services	3,096,866	99,874	74,506	3,175,021	107,151	41,580
Intensive care	587,469	25,920	16,769	602,878	15,459	13,192
Nursery	710,662	29,439	12,952	767,560	26,731	15,502
Other Nursing Services:						
Operating and recovery rooms	2,659,426	7,688,367	683,713	2,741,644	7,025,359	699,870
Ambulatory surgery	1,136,711	577,866	61,742	1,142,772	437,457	53,898
Delivery room	1,194,433	101,709	74,018	1,196,268	85,685	75,010
Central service and supply	308,048	854,886	82,638	300,442	767,696	74,752
Emergency service	6,152,681	84,406	559,856	5,390,398	78,404	636,114
Trauma	52,143	39	586	65,340	215	686
Hospitalist	367,479	3,663	1,200,447	436,519	21,778	1,281,990
Other Professional Services:						
Laboratory	1,052,095	698,603	700,774	980,778	667,900	711,754
Blood bank	-	-	267,542	-	-	258,855
Electrocardiology	182	2,179	61,680	145	2,620	107,458
Radiology	846,246	67,602	293,705	837,186	49,540	260,347
Pharmacy	734,367	2,165,137	93,046	725,105	2,092,636	91,292
Anesthesiology	3,327,411	106,939	120,631	3,364,964	109,193	58,874
Respiratory therapy	1,267,898	161,210	83,818	1,306,089	144,480	72,907
Ambulance	1,145,506	91,440	214,945	1,177,130	82,656	229,499
Physical therapy	915,555	16,292	38,995	861,334	22,027	34,153
Ultrasound	183,217	3,589	31,700	191,974	3,006	15,540
CT scan	121,138	84,255	7,652	105,805	76,595	20,073
Nuclear medicine	85,746	174,408	35,474	84,588	130,711	26,991
Medical records	940,833	10,400	129,867	950,600	9,505	150,356
Social service	71,309	696	4,324	122,811	273	3,839
Cardiac rehabilitation	140,511	8,079	12,309	128,305	6,804	11,491
Speech pathology	122,620	1,203	286	141,001	1,461	228
Wellness Center	519,820	9,711	142,689	529,856	14,759	128,322
Sports medicine	276,168	6,140	36,596	268,816	6,607	35,939
Physician's office	1,120,583	128,872	130,552	874,994	72,725	320,477

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
Detailed Schedules of Operating Expenses
Years Ended September 30, 2017, and 2016

	2017			2016 As Restated		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
Other Professional Services (Continued):						
Occupational therapy	292,704	4,266	5,296	280,428	3,951	5,468
Breast Health Center	949,060	25,428	158,194	795,787	20,185	121,745
OCH General Surgery	617	-	928	5	344	835
OCH Rural Health Clinic	-	-	1,654	856	-	1,074
OCH Medical Associates	617,153	11,510	71,487	1,036,991	28,019	73,753
OCH Urology Associates	116	316	10,705	169,938	47,670	21,424
OCH Pulmonology	445,026	8,151	32,643	460,024	6,476	28,920
OCH Center for Pain	896,992	14,087	63,950	794,575	7,785	64,430
OCH Hyperbaric Center	-	5,540	124,648	-	5,406	103,946
OCH Wound Care Center	-	103,349	460,042	-	72,096	454,837
OCH Family Health Clinic	271,138	28,484	42,786	429	5,750	298
General Services:						
Dietary	1,223,691	653,368	119,103	1,119,113	671,169	95,772
Maintenance	550,374	85,787	1,650,709	521,556	53,950	1,537,216
Housekeeping	796,055	91,405	108,417	755,832	93,158	92,501
Laundry and linen	-	-	326,318	18,803	-	306,834
Security	297,132	8,596	5,189	291,313	6,870	6,954
Administration and Fiscal Services:						
Administrative	975,174	65,139	1,328,439	969,368	44,649	1,208,016
Fiscal	5,503,174	192,016	2,378,382	4,772,490	160,448	2,269,860
Total	\$ 42,832,676	14,509,813	12,077,152	41,282,323	13,293,016	11,832,199

OKTIBBEHA COUNTY HOSPITAL D/B/A OCH REGIONAL MEDICAL CENTER AND SUBSIDIARY
 Schedule of Surety Bonds for Officials and Employees
 September 30, 2017

<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	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
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Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, 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, 2017, and 2016, 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 March 30, 2018.

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
March 30, 2018

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD

Professional Limited Liability Company
Certified Public Accountants

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Independent Auditors' Report on Compliance with State Laws and Regulations

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

We have audited the consolidated financial statements of Oktibbeha County Hospital D/B/A OCH Regional Medical Center and Subsidiary, a component unit of Oktibbeha County, Mississippi, as of and for the years ended September 30, 2017, and 2016, and have issued our report thereon dated March 30, 2018.

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
March 30, 2018

Watkins Ward and Stafford, PLLC