The Regional Medical Center of Orangeburg and Calhoun Counties

Combined Financial Statements

Years Ended September 30, 2015 and 2014

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

Board of Trustees of
The Regional Medical Center of Orangeburg
and Calhoun Counties

Report on the Combined Financial Statements

We have audited the accompanying combined statements of net position of The Regional Medical Center of Orangeburg and Calhoun Counties (the "Center") as of September 30, 2015 and 2014, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the combined 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 Center'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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Center as of September 30, 2015 and 2014, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Emphasis of Matter – New Accounting Pronouncement

As discussed in Note 1 to the combined financial statements, during the year ended September 30, 2015, the Center implemented new accounting guidance for pension accounting and reporting that requires retroactive adjustments to amounts previously reported as of and for the year ended September 30, 2014, with a cumulative effect adjustment to net position as of September 30, 2013. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Management's Discussion and Analysis, the Schedules of Changes in Net Pension Liability and Related Ratios, and the Schedules of Contributions are not a required part of the combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Other Supplemental Information

Our audit was made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining information in the supplemental schedules is presented for purposes of additional analysis of the combined financial statements rather than to present the combining statement of net position, combining results of operations of the individual entities, and the combining changes in net position and are not a required part of the basic combined financial statements. The combined schedules of other expenses and professional fees and services are presented for the purposes of additional analysis and are not a required part of the basic combined financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Dixon Hughes Goodman LLP

Greenville, South Carolina
January 26, 2016

This section of the Regional Medical Center of Orangeburg and Calhoun Counties' (the "Center" or "RMC") annual combined financial statements presents our analysis of the Center's financial performance during the years ended September 30, 2015 and 2014. Please read this analysis in conjunction with the combined financial statements, which follow this section.

Overview of the Combined Financial Statements

The 2015 annual combined financial statements includes this management's discussion and analysis section, the report of independent auditors, and the combined financial statements of the Center. The accompanying combined financial statements also include notes that explain in more detail some of the information in the combined financial statements.

Required Combined Financial Statements

The Center's combined financial statements report information of the Center using accounting methods similar to those used by private-sector healthcare organizations. These combined financial statements offer short and long-term financial information about its activities:

- The combined statements of net position include all of the Center's assets, deferred outflows, and liabilities and provide information about the nature and amounts of investments in resources (assets and deferred outflows) and the obligations to Center creditors (liabilities). The combined statements of net position also provide the basis for evaluating the capital structure of the Center and assessing the liquidity and financial flexibility of the Center.

- All of the current year's revenues and expenses are accounted for in the combined statements of revenues, expenses, and changes in net position. These statements measure the success of the Center's operations over the past year and can be used to determine whether the Center has successfully recovered all of its costs through its fees and other resources of revenue, profitability, and creditworthiness.

- The final required statement is the combined statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, noncapital financing, and financing activities. It also provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Medical Center

The combined statements of net position and the combined statements of revenues, expenses, and changes in net position report the net position of the Center and the changes therein. The Center's net position is one indicator of the Center's financial health. Over time, increases or decreases in the Center's net position are one indicator of whether its financial health is improving or deteriorating. However, one will also need to consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed governmental legislation.

Combined Statements of Net Position

A summary of the Center's combined statements of net position at September 30, 2015, 2014, and 2013, is presented in Table A-1:

Table A-1
Condensed Combined Statements of Net Position
September 30, 2015, 2014, and 2013 (in thousands)

	2015	As Applied 2014	As Applied 2013
Current assets	$ 46,026	$ 50,660	$ 51,641
Capital assets, net	66,914	69,991	66,144
Noncurrent assets	64,400	66,755	67,420
Deferred outflows	5,111	3,227	-
Total assets and deferred outflows	$ 182,451	$ 190,633	$ 185,205
Current liabilities	$ 27,114	$ 31,540	$ 27,613
Long-term liabilities	65,775	66,077	57,011
Total liabilities	92,889	97,617	84,624
Net investment in capital assets	33,919	35,701	35,646
Restricted for:			
Nonexpendable	30	30	30
By donor for specific activities or capital acquisitions	2,521	3,409	3,159
Unrestricted	53,092	53,876	61,746
Total net position	89,562	93,016	100,581
Total liabilities and net position	$ 182,451	$ 190,633	$ 185,205

The net position of the Center decreased $3,454 during 2015 and decreased $7,565 during 2014.

Combined Statements of Revenues, Expenses, and Changes in Net Position

While the combined statements of net position show the change in the financial position of the Center, the combined statements of revenues, expenses, and changes in net position provide answers to the nature and source of these changes:

Table A-2
Condensed Combined Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended September 30, 2015, 2014, and 2013 (in thousands)

	2015	As Applied 2014	As Applied 2013
Operating revenues:			
Net patient service revenues	$ 219,650	$ 214,269	$ 201,045
Other	3,771	6,738	4,773
Total operating revenues	223,421	221,007	205,818
Operating expenses:			
Salaries and benefits	126,939	128,234	117,043
Supplies	36,369	32,807	31,437
Professional fees and services	31,455	35,582	25,997
Other	22,185	22,149	19,824
Depreciation and amortization	11,805	10,389	8,794
Total operating expenses	228,753	229,160	203,095
Operating income (loss)	(5,332)	(8,154)	2,723
Nonoperating revenues	1,878	589	1,586
Increase (decrease) in net position	(3,454)	(7,565)	4,309
Net position, beginning of year	93,016	100,581	96,272
Net position, end of year	$ 89,562	$ 93,016	$ 100,581

Combined Statements of Revenues, Expenses, and Changes in Net Position (continued)

Fiscal 2015 compared to Fiscal 2014

The Center's total operating revenues increased in fiscal 2015 due to several factors:

- Increase in patient discharges
- Increase in volume in the Dialysis Access Institute
- Increase in volume in Same Day Surgery and Catherizations.

The Center's operating expenses for fiscal 2015 decreased 0.2%. This is primarily related to a decrease in professional fees of $4.1 million which is a one-time expense that occurred in 2014.

Fiscal 2014 compared to Fiscal 2013

The Center's total operating revenues increased in fiscal 2014 due to several factors:

- Increased volume in the Dialysis Access Institute.
- A full year of operations for the Cardiology Practice and Bamberg Urgent Care
- Addition of several new services including RMC Internal Medicine Practice and RMC OB/GYN Practice.

The Center's operating expenses for fiscal 2014 increased 12.8%. This is primarily related to salary and supply expense related to the addition of new services and the addition of new providers. Increase in employee health costs and increase in depreciation related to the addition of the Dialysis Access Institute, renovation of the Cancer Center and purchase of a Linear Accelerator.

Capital Assets and Debt Administration

At the end of fiscal 2015, the Center had invested approximately $66.9 million in net capital assets as shown in Table A-3. The decrease of approximately $3.1 million is related to the not having any major building or infrastructure projects during the fiscal year.

At the end of fiscal 2014, the Center had invested approximately $70.0 million in net capital assets as shown in Table A-3. The increase of approximately $3.8 million is related to the construction and purchase of equipment for the Dialysis Access Center, Patient Room Renovations, Emergency Generator and other infrastructure projects.

Capital Assets and Debt Administration (continued)

Table A-3
Capital Assets
September 30, 2015, 2014, and 2013 (in thousands)

	2015	2014	2013
Land and land improvements	$ 3,084	$ 2,974	$ 3,176
Buildings and improvements	92,202	90,432	76,019
Equipment	121,146	117,529	109,494
Construction-in-progress	4,635	1,483	9,803
	221,067	212,418	198,492
Accumulated depreciation	(154,153)	(142,427)	(132,348)
Capital assets, net	$ 66,914	$ 69,991	$ 66,144

Fiscal 2015 compared to Fiscal 2014

At September 30, 2015 and 2014, the Center has approximately $33.0 million and $34.3 million respectively, of bonds payable principal outstanding, a decrease of approximately 3.8% during the year. The decrease in bonds payable is due no issuance of any new bonds during the year. Additionally, the Center made principal payments of approximately $1.3 million during both fiscal 2015 and 2014.

Fiscal 2014 compared to Fiscal 2013

At September 30, 2014 and 2013, the Center has approximately $34.3 million and $30.5 million, respectively, of bonds payable principal outstanding, an increase of approximately 12.4% during the year. The increase in bonds payable is due to the issuance of approximately $5.0 million of the Series 2012 bonds. Additionally, the Center made principal payments of approximately $1.3 million and $1.9 million during fiscal 2014 and 2013, respectively.

Economic and other factors

The continuing theme is we are moving through a time of unprecedented change in both the delivery of care and also the payment for care.

In a recent article in Becker's Hospital CFO, the article addresses CFO's top concerns for 2016. During Becker's Hospital Review 4th Annual CEO Roundtable, several themes emerged. Payment reform is still at the top of the list. Erosion of the payer mix and revenue pressures are major challenges going into 2016. Not only are hospital's getting paid less for what they are doing; there is also a shift in the business.

Other CFOs shared the challenge of staying relevant in the market which may involve measures to remain competitive. Other strategies may involve trying to evaluate different services to determine how they will fit into the future of healthcare. Health IT infrastructure and systems using are also a challenge.

The final theme revolved around being more efficient. Doing more with less and doing those things well.

Economic Factors Related to the State Medicaid Expansion

A continued concern and one of the most critical issues facing hospitals in South Carolina today is the decision to not expand Medicaid as proposed by the Affordable Care Act. The Henry J Kaiser Family Foundation and the U.S. Department of Health and Human Services produced a list of states that will benefit the most from expanding Medicaid. South Carolina ranks 4th on that list. A USC economic impact report indicates that between 2014 and 2020 $11.2 billion in new federal funding will be generated between 2013 and 2020 due to newly eligible enrollees. By 2020, the annual economic impact will total $3.3 billion in annual economic output, nearly 44,000 jobs and approximately $1.5 billion in labor income.

Community Benefit

As a civic asset, the Center is one of the top employers in the area. The Center is committed to being the healthcare provider of choice through providing quality and being responsible for the cost effectiveness in delivery of healthcare. In the civic asset role, the statement released in October 2012 by the Center reflected a value to the community of over $120 million.

The Center, like other healthcare providers, has undertaken the initiative to better tell and document the service provided to the community and the nation for health care needs. Following the lead set by the Catholic Health Association and VHA, Inc., the following statement was developed utilizing the guide for planning and reporting community benefit. This statement is not all-inclusive as systems are being developed and processes established to hard wire the reporting process. As footnoted below, a point of difference is the inclusion of bad debt. It is the belief of the Center that a significant percentage of the bad debt expense relates to services rendered to those who lack the resources for the health care they need. The following table depicts the activity related to the community benefit provided by the Center.

Quantifiable Benefits
September 30, 2015, 2014, and 2013 (in thousands)

	2015	2014	2013
Benefits for person living in poverty and the			
Broader community:			
Charity care at cost	$ 5,484	$ 7,406	$ 8,085
Bad debt, Medicaid shortfall,			
and ambulance	8,369	8,860	9,398
Safe Kids	5	6	4
Health Professional Education			
Scholarships	44	158	213
Physician coverage of EDs	1,757	1,921	2,771
Foundation and Community Outreach	796	725	962
Total quantifiable benefit	$ 16,455	$ 19,076	$ 21,433

Finance contact

The Center's combined financial statements are designed to present users with a general overview of the Center's finances and to demonstrate the Center's accountability. If you have any questions about the report or need additional financial information, please contact Cheryl Mason, Chief Financial Officer, The Regional Medical Center of Orangeburg and Calhoun Counties, 3000 St. Matthews Road, Orangeburg, South Carolina 29118.

Assets and Deferred Outflows	2015	As Applied 2014
Current assets:		
Cash and cash equivalents	$ 10,410,638	$ 15,060,396
Patient accounts receivable, net of estimated allowance for doubtful accounts of approximately $5,686,000 in 2015 and $5,083,000 in 2014	26,107,169	24,153,744
Drugs and supplies	4,543,751	4,784,579
Other receivables, net	828,105	2,432,540
Prepaid expenses	3,112,004	3,377,586
Estimated third party payor settlements	1,024,812	851,384
Total current assets	46,026,479	50,660,229
Assets limited as to use	63,595,430	65,981,717
Capital assets, net	66,914,130	69,991,347
Other receivables, net	803,066	760,394
Other assets	-	12,220
Total assets	177,339,105	187,405,907
Deferred outflows:		
Pension deferrals	5,111,436	3,227,024
Total deferred outflows	5,111,436	3,227,024
Total assets and deferred outflows	$ 182,450,541	$ 190,632,931

(continued)

Liabilities and Net Position	**2015**	**As Applied 2014**
Current liabilities:		
Current maturities of long-term debt	$ 1,020,000	$ 1,295,000
Accounts payable	9,071,442	12,715,402
Accrued salaries and wages	6,666,127	6,291,947
Accrued vacation	6,122,238	5,830,416
Accrued employee medical	1,372,163	1,335,248
Other accrued expenses	366,146	444,503
Estimated third party payor settlements	2,496,193	3,627,878
Total current liabilities	27,114,309	31,540,394
Net pension liability	33,799,318	33,081,090
Long-term debt, net of current maturities	31,975,000	32,995,000
Total liabilities	92,888,627	97,616,484
Net position:		
Net investment in capital assets	33,919,130	35,701,347
Restricted for:		
Nonexpendable	30,000	30,000
By donor for specific activities or capital acquisitions	2,521,229	3,409,014
Unrestricted	53,091,555	53,876,086
Total net position	89,561,914	93,016,447
Total liabilities and net position	$ 182,450,541	$ 190,632,931

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2015 and 2014

	2015	As Applied 2014
Operating revenues:		
Net patient service revenue, net of provision for bad debts of approximately $26,569,000 in 2015 and $29,037,000 in 2014	$ 219,650,218	$ 214,268,412
Other	3,770,569	6,738,219
Total operating revenues	223,420,787	221,006,631
Operating expenses:		
Salaries and wages	104,489,532	102,433,687
Employee benefits	22,449,673	25,800,421
Supplies	36,368,729	32,806,751
Professional fees and services	31,455,367	35,582,361
Other	22,184,747	22,148,515
Depreciation and amortization	11,804,827	10,388,512
Total operating expenses	228,752,875	229,160,247
Operating loss	(5,332,088)	(8,153,616)
Nonoperating revenues (expenses):		
Investment income, net	2,233,809	1,192,982
Noncapital grants and contributions	770,040	496,282
Foundation expenses	(100,462)	(181,515)
Interest expense	(1,025,832)	(918,876)
Total nonoperating revenues	1,877,555	588,873
Decrease in net position	(3,454,533)	(7,564,743)
Net position, beginning of the year	93,016,447	100,581,190
Net position, end of the year	$ 89,561,914	$ 93,016,447

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Statements of Cash Flows
For the Years Ended September 30, 2015 and 2014

	2015	As Applied 2014
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 216,391,680	$ 216,205,815
Payments to suppliers and contractors	(92,702,739)	(92,065,135)
Payments to employees	(126,236,288)	(122,375,143)
Other receipts and payments, net	3,474,745	7,836,644
Net cash provided by operating activities	927,398	9,602,181
Cash flows from noncapital financing activities:		
Noncapital grants and contributions	770,040	496,282
Payments for Foundation operations	(100,462)	(181,515)
Net cash provided by noncapital financing activities	669,578	314,767
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt	-	5,041,940
Principal paid on long-term debt	(1,295,000)	(1,250,000)
Interest paid on long-term debt	(950,739)	(843,069)
Purchase of capital assets	(8,632,091)	(12,932,628)
Net cash used by capital and related financing activities	(10,877,830)	(9,983,757)
Cash flows from investing activities:		
Proceeds from the sale of capital assets	11,000	6,000
Increase (decrease) in assets limited as to use, net of earnings ar	4,620,096	(207,190)
Net cash provided (used) by investing activities	4,631,096	(201,190)
Decrease in cash and cash equivalents	(4,649,758)	(267,999)
Cash and cash equivalents, beginning of year	15,060,396	15,328,395
Cash and cash equivalents, end of year	$ 10,410,638	$ 15,060,396

(continued)

		2015		As Applied 2014
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	$	(5,332,088)	$	(8,153,616)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Loss on disposals of capital assets		26,825		5,104
Depreciation and amortization		11,804,827		10,388,512
Provision for bad debts		26,569,319		29,037,494
Change in net operating assets and liabilities:				
Patient accounts receivable		(28,522,744)		(28,649,983)
Other receivables, net		1,561,763		1,181,298
Drugs and supplies and prepaid expenses		490,426		(716,888)
Estimated third party payor settlements		(1,305,113)		1,461,867
Deferred outflows		(1,884,412)		-
Accounts payable		(3,749,100)		344,383
Accrued liabilities and other liabilities and assets		1,267,695		4,704,010
Net cash provided by operating activities	$	927,398	$	9,602,181
Noncash transactions:				
Capital assets acquired through accounts payable	$	105,140	$	1,277,018

1. Organization and Summary of Significant Accounting Policies and Practices

Organization

The Regional Medical Center of Orangeburg and Calhoun Counties (“TRMC”) was established under the laws of the state of South Carolina in 1955 by an act of the South Carolina General Assembly. TRMC primarily provides inpatient, outpatient, and emergency care services for residents of Orangeburg and Calhoun Counties. TRMC is organized under South Carolina non-stock corporation laws and governed by a Board of Trustees composed of twelve members appointed by the Orangeburg County Council, three members appointed by the Calhoun County Council, the chief of staff, and the chairman of the executive committee of the medical staff. TRMC is not included in the financial statements of Orangeburg County, South Carolina or Calhoun County, South Carolina.

Edisto Regional Health Services, Inc. (“ERHS”) was incorporated by TRMC in 1997 and was formed exclusively to carry out the healthcare missions of TRMC. The Regional Medical Center of Orangeburg and Calhoun Counties Foundation (the “Foundation”) was formed in 1986 by the Board of Trustees of TRMC for the purpose of performing certain fund-raising activities on behalf of TRMC. The Board of Trustees of TRMC appoints the members of the Board of Directors of the Foundation.

In accordance with the criteria in Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity*, TRMC, ERHS, and the Foundation are shown using a blended presentation; that is, the activity of TRMC, ERHS, and the Foundation, collectively referred to as the “Center”, is shown in the same column.

Basis of Accounting

The Center’s combined financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by the GASB and include the accounts of TRMC, ERHS, and the Foundation. All significant intercompany accounts have been eliminated.

Enterprise Fund Accounting

The Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* the Center will only recognize GASB statements as authoritative guidance. Financial Accounting Standards Board (“FASB”) statements, including those issued after November 30, 1989 and AICPA pronouncements will no longer be authoritative and may be used as non-authoritative guidance.

Use of Estimates

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

Adoption of New Accounting Policies

During the year ended September 30, 2015, the Center implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which, among other things, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. The standard also expands the disclosure requirements and adds additional required supplementary information.

The effect of the retroactive application of GASB 68 on previously reported combined financial statement amounts is summarized below:

	2014 As Previously Reported	Adjustment	2014 As Applied
Combined Statement of Net Position:			
Prepaid pension costs	$ 2,657,706	$ (2,657,706)	$ -
Total assets	$ 190,063,613	$ (2,657,706)	$ 187,405,907
Pension deferrals	$ -	$ 3,227,024	$ 3,227,024
Total assets and deferred outflows	$ 190,063,613	$ 569,318	$ 190,632,931
Net pension liability	$ -	$ 33,081,090	$ 33,081,090
Total liabilities	$ 64,535,394	$ 33,081,090	$ 97,616,484
Unrestricted	$ 86,387,858	$ (32,511,772)	$ 53,876,086
Total net position	$ 125,528,219	$ (32,511,772)	$ 93,016,447
Total liabilities and net position	$ 190,063,613	$ 569,318	$ 190,632,931

Combined Statement of Revenues, Expenses and Changes in Net Position:	2014 As Previously Reported	Adjustment	2014 As Applied
Employee benefits	$ 21,051,186	$ 4,749,235	$ 25,800,421
Total operating expenses	$ 224,411,012	$ 4,749,235	$ 229,160,247
Operating loss	$ (3,404,381)	$ (4,749,235)	$ (8,153,616)
Decrease in net position	$ (2,815,508)	$ (4,749,235)	$ (7,564,743)
Net position, September 30, 2013	$ 128,343,727	$ (27,762,537)	$ 100,581,190
Net position, September 30, 2014	$ 125,528,219	$ (32,511,772)	$ 93,016,447

Combined Statement of Cash Flows	2014 As Previously Reported	Adjustment	2014 As Applied
Operating loss	$ (3,404,381)	$ (4,749,235)	$ (8,153,616)
Change in prepaid pension cost	$ (1,127,975)	$ 1,127,975	$ -
Change in accrued liabilities and other	$ 1,082,750	$ 3,621,260	$ 4,704,010

Cash and Cash Equivalents

The Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use, to be cash equivalents.

The Center maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Center may maintain bank account balances in excess of the FDIC insured limit; however the amounts not covered by the FDIC are collateralized. It is management's opinion that the Center is not exposed to any significant credit risk related to cash.

At September 30, 2015 and 2014, the Center's deposits had a carrying amount of approximately $12,033,000 and $16,571,000, respectively, and bank balances of approximately $14,069,000 and $17,479,000, respectively. The Center had cash on hand of approximately $4,000 and $7,000 at September 30, 2015 and 2014, respectively.

Drugs and Supplies

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

Assets Limited as to Use

Assets limited as to use include assets designated by the Center for capital acquisitions, over which the Center retains control and may at its discretion subsequently use for other purposes, assets designated by the Foundation for nursing scholarships, principal of a permanent endowment, and funds restricted by donor for specific activities or capital acquisitions.

Investments

Investments in debt securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Investment income (loss), both including realized and unrealized gains and losses, is included in nonoperating revenues (expenses).

Capital Assets

Capital assets with an initial cost of at least $1,000 are recorded at cost, except donated assets, which are recorded at fair market value at the date of donation. Depreciation expense is calculated on all depreciable assets based on the straight-line method over the estimated useful lives of such assets as established by the American Hospital Association, with the following ranges:

Land improvements	3 to 25 years
Buildings	5 to 40 years
Equipment	3 to 20 years

Expenditures which materially extend useful lives are capitalized. Routine maintenance, repairs, and replacements are charged to expense.

Deferred Outflows/Inflows

Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period. The Center has pension deferrals that result from the implementation of GASB Statement 68.

Net Position

Net position is classified in four components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position - nonexpendable* consists of an endowment fund for which the donor has stipulated, as a condition of the contribution, that the principal is to be maintained in perpetuity. *Restricted net position – by donor for specific activities or capital acquisitions* includes all resources for which the Center is legally obligated to spend the resources in accordance with restrictions imposed by external third parties. *Unrestricted net position* is not subject to stipulations imposed by external third parties.

Operating Revenue and Expenses

The Center's combined statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Center's principal activity. Non-exchange 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.

Grants and Contributions

From time to time, the Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions 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.

Unconditional Promises to Give

Unconditional promises to give are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Any beyond one year are discounted to their present value using treasury rates consistent with the life of the pledge. The applicable rates at September 30, 2015 and 2014 were 1.37% and 1.78% respectively.

From time to time, the Center receives large pledges and contributions from a small number of donors that represent a significant portion of recorded unconditional promises to give and contributions, which are included in other receivables on the accompanying combined statements of net position and in nonoperating revenues on the accompanying combined statements of revenues, expenses, and changes in net position.

An allowance for uncollectible contributions is necessary as, from time to time, the Center may be unable to collect an outstanding promise to give recorded as contributions receivable. The allowance is management's estimate of the potential future write-offs of uncollectible contributions and is based on historical write-offs, overdue contributions, and other factors.

Net Patient Service Revenue

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. Third-party contractual revenue adjustments are recorded on an estimated basis in the period the related services are rendered. Such amounts are subject to audit by the governmental agencies. Adjustments, if any, are included in contractual revenue adjustments in the year of determination. In compliance with GASB pronouncements, net patient service revenues have been reduced by the amount of bad debt expense incurred by the Center.

The Center's policy does not require collateral or other security for patient accounts receivable. The Center routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, Medicaid, Blue Cross, health maintenance organizations and commercial insurance carriers.

Charity Care

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

Charges excluded from revenue under the Center's charity care policy were approximately $19,587,000 and $26,449,000 in 2015 and 2014, respectively.

The Center calculates the cost of providing charity care to patients using a cost-to-charge ratio method. Using this method, the costs of providing charity care services under the Center's indigent and charity care policy were approximately $5,484,000 and $7,406,000 for 2015 and 2014, respectively.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying combined financial statements do not reflect a provision or liability for federal and state income taxes. The Center has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2015.

Risk Management

The Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. The Center is self-insured for employee health claims as discussed in Note 9.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation. The impact of these reclassifications does not represent a significant change in presentation.

2. Deposits and Investments

The Center's investments are reported at fair value, as discussed in Note 1, and included in the assets limited as to use on the combined statements of net position. At September 30, 2015 and 2014, the Center had the following investments:

September 30, 2015		Investment Maturity			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Debt securities:					
Federal Home Loan Mortgage Corp.	$ 10,112,222	$ 19,210	$ 32,847	$ 129,302	$ 9,930,863
Federal National Mortgage Association	18,995,284	62,256	12,397	447,826	18,472,805
Government National Mortgage Association	29,678,264	62,974	-	748,632	28,866,658
U.S. Treasury Securities	3,186,917	663,982	2,522,935	-	-
Total investments	$ 61,972,687	$ 808,422	$ 2,568,179	$ 1,325,760	$ 57,270,326

September 30, 2014		Investment Maturity			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Debt securities:					
Federal Home Loan Mortgage Corp.	$ 10,525,474	$ 3,439	$ 109,994	$ 178,003	$ 10,234,038
Federal National Mortgage Association	18,255,874	1,627	214,291	783,946	17,256,010
Government National Mortgage Association	29,666,505	162,146	340,578	877,810	28,285,971
U.S. Treasury Securities	6,023,269	1,067,286	3,875,194	-	1,080,789
Total investments	$ 64,471,122	$ 1,234,498	$ 4,540,057	$ 1,839,759	$ 56,856,808

Interest Rate Risk

As a means of limiting its exposure to fair value losses as a result of rising interest rates, the Center generally invests in obligations with varying maturity dates.

Credit Risk

The Center's policy regarding credit risk limits the Center to investments as defined by the Investments of Funds by Political Subdivisions for the State of South Carolina, including but not limited to obligations of state, federal, and political subdivisions.

Credit risk ratings are not required for U.S. Government Obligations or those obligations explicitly guaranteed by the U.S. Government. As of September 30, 2015 and 2014, the Center's investments in U.S. Government Agencies were rated AA+ by Standard & Poor's.

Custodial Credit Risk

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center limits this risk by diversifying its investments with regard to issuers and class of issuers.

Concentration of Credit Risk

The Center requires that no more than 10% of the market value of investments should be invested in the securities of a single issuer, except for the United States Government, and its agencies or instrumentalities, and unless the investment committee approves. As of September 30, 2015, the Center held less than 5% of the carrying amount of investments in any one issuer except money market accounts and U.S. Government Agencies.

The carrying amount of deposits and assets limited as to use are included on the Center's combined statements of net position are as follows:

	2015	2014
Carrying amount:		
Deposits	$ 12,033,381	$ 16,570,991
Investments	61,972,687	64,471,122
Total	$ 74,006,068	$ 81,042,113
Included in the following combined statements of net position captions:		
Cash and cash equivalents	$ 10,410,638	$ 15,060,396
Assets limited as to use	63,595,430	65,981,717
	$ 74,006,068	$ 81,042,113

Investment income, net, for assets limited as to use and cash equivalents are comprised of the following for the years ended September 30, 2015 and 2014:

	2015	2014
Interest and dividend income	$ 3,785,061	$ 3,574,952
Realized losses on sales of investments, net	(1,783,689)	(1,987,698)
Unrealized gains on investments, net	726,757	31,442
Custodian fees	(494,320)	(425,714)
Investment income, net	$ 2,233,809	$ 1,192,982

3. Accounts Receivable and Accounts Payable

Patient accounts receivable reported as current assets by the Center consisted of the following as of September 30, 2015 and 2014:

Accounts Receivable	2015	2014
Receivable from patients	$ 7,769,149	$ 7,060,630
Receivable from third-party payors and others	8,681,396	7,236,535
Receivable from Medicare	9,665,337	10,193,980
Receivable from Medicaid	5,676,936	4,745,685
Total patient accounts receivable	31,792,818	29,236,830
Less: allowance for uncollectible accounts	(5,685,649)	(5,083,086)
Patient accounts receivable, net	$ 26,107,169	$ 24,153,744

Accounts payable (including accrued expenses) reported as current liabilities by the Center consisted of the following as of September 30, 2015 and 2014:

Accounts Payable and Accrued Expenses	**2015**	**2014**
Payable to suppliers and others	$ 9,437,588	$ 13,159,905
Payable to employees (including payroll taxes)	14,160,528	13,457,611
Total accounts payable and accrued expenses	$ 23,598,116	$ 26,617,516

4. Capital Assets

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

	Balance September 30, 2014	**Additions**	**Retirements & Transfers**	**Balance September 30, 2015**
Land	$ 654,617	$ -	$ -	$ 654,617
Land improvements	2,319,153	110,512	-	2,429,665
Buildings	90,431,777	1,172,045	598,557	92,202,379
Equipment	117,528,972	3,704,017	(87,355)	121,145,634
Totals at historical cost	210,934,519	4,986,574	511,202	216,432,295
Less accumulated depreciation:				
Land improvements	(2,157,917)	(25,908)	-	(2,183,825)
Buildings	(55,460,886)	(4,087,628)	-	(59,548,514)
Equipment	(84,807,604)	(7,663,087)	49,530	(92,421,161)
Total accumulated depreciation	(142,426,407)	(11,776,623)	49,530	(154,153,500)
Construction in progress	1,483,235	3,750,657	(598,557)	4,635,335
Capital assets, net	$ 69,991,347	$ (3,039,392)	$ (37,825)	$ 66,914,130

	Balance September 30, 2013	**Additions**	**Retirements & Transfers**	**Balance September 30, 2014**
Land	$ 656,617	$ -	$ (2,000)	$ 654,617
Land improvements	2,519,429	68,408	(268,684)	2,319,153
Buildings	76,019,482	914,028	13,498,267	90,431,777
Equipment	109,494,329	3,157,835	4,876,808	117,528,972
Totals at historical cost	188,689,857	4,140,271	18,104,391	210,934,519
Less accumulated depreciation:				
Land improvements	(2,138,527)	(19,390)	-	(2,157,917)
Buildings	(52,028,887)	(3,431,999)	-	(55,460,886)
Equipment	(78,180,682)	(6,900,116)	273,194	(84,807,604)
Total accumulated depreciation	(132,348,096)	(10,351,505)	273,194	(142,426,407)
Construction in progress	9,802,549	10,069,375	(18,388,689)	1,483,235
Capital assets, net	$ 66,144,310	$ 3,858,141	$ (11,104)	$ 69,991,347

5. Long-Term Debt

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

	September 30, 2014	Additions	Reductions	September 30, 2015	Current Portion
2009 bonds	$ 9,350,000	$ -	$ (1,195,000)	$ 8,155,000	$ 610,000
2012 bonds	24,940,000	-	(100,000)	24,840,000	410,000
	$ 34,290,000	$ -	$ (1,295,000)	$ 32,995,000	$ 1,020,000

	September 30, 2013	Additions	Reductions	September 30, 2014	Current Portion
2009 bonds	$ 10,540,000	$ -	$ (1,190,000)	$ 9,350,000	$ 1,195,000
2012 bonds	19,958,060	5,041,940	(60,000)	24,940,000	100,000
	$ 30,498,060	$ 5,041,940	$ (1,250,000)	$ 34,290,000	$ 1,295,000

During Fiscal 2012, the Center issued South Carolina Jobs-Economic Development Authority Variable Rate Demand Hospital Revenue Bond Series 2012 (the "2012 Bonds") in the principal amount of not to exceed $25,000,000 for the purpose of financing an expansion to the Center's facilities. The 2012 Bond principal payments are due annually beginning in 2014 through 2037 in annual amounts ranging from $60,000 to $2,165,000. In addition, the 2012 Bonds are subject to optional redemption on May 1, 2022, in whole or in part, at a redemption price of par plus accrued interest to the date of redemption. The gross receipts of the Center are pledged as security on the 2012 Bonds.

A financial institution directly purchased the 2012 Bonds. The financial institution advanced the principal amount of the 2012 Bonds to the Center through May 2014 when all bond funds were advanced. The interest rate on the 2012 bonds is fixed at 3.58% per annum until May 1, 2022, at which time then 2012 bonds will be redeemed or the interest on the 2012 bonds may be reset. Interest is payable monthly.

During Fiscal 1998, the Center issued $30,000,000 of South Carolina Jobs—Economic Development Authority Variable Rate Demand Hospital Revenue Bonds Series 1998 (the "1998 Bonds") for the purpose of financing an expansion to the Center's facilities. During Fiscal 2009, the Center issued $16,495,000 of South Carolina Jobs-Economic Development Authority Variable Rate Demand Hospital Revenue Bonds 2009 Refunding ("2009 Bonds") to refinance the 1998 Bonds. The 2009 Bonds principal payments are made annually beginning in 2010 through 2028 in annual amounts ranging from $340,000 to $1,880,000. In addition, the 2009 Bonds are subject to optional redemption at any time, in whole or in part, at a redemption price of par plus accrued interest to the date of redemption. The effective interest rate of the bonds at September 30, 2015 and 2014 was 1.08% and 1.12%. The gross receipts of the Center are pledged as security on the 2009 Bonds. The 2009 Bonds are secured by a letter of credit that expires on October 5, 2016.

Under the terms of the 2009 and 2012 Bond indentures, the Center is required to maintain certain restrictive covenants, the most restrictive of which requires the Center to maintain a certain debt service ratio.

The aggregate debt service payments due on long-term debt for the years subsequent to September 30, 2015, and until maturity are as follows:

Year Ending September 30:	Long-Term Debt Principal	Long-Term Debt Interest
2016	$ 1,020,000	$ 1,111,088
2017	1,060,000	1,079,035
2018	1,100,000	1,045,589
2019	1,145,000	1,010,692
2020	1,190,000	974,223
2021 – 2025	6,380,000	4,568,327
2026 – 2030	7,610,000	3,512,189
2031 – 2035	9,245,000	1,864,533
2036 – 2037	4,245,000	199,800
Total	$ 32,995,000	$ 15,365,476

6. Net Patient Service Revenues

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. The difference between the Center's rates and the estimated payments from third-party payors is recorded as a contractual allowance. Revenue for patient services and the related accounts receivable have been adjusted to the estimated amounts that will be received under third-party payor arrangements. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge using a diagnosis related group (Medicare Severity Adjusted or "MSDRG") system. These rates vary according to patient classification, clinical diagnosis, and other factors. Inpatient capital costs are paid at prospectively determined rates as a component of the MSDRG payment. The Center is classified as Sole Community hospital and for Medicare inpatient services, the Center receives the higher of the hospital specific rate or the federal rate, with final settlement determined after submission of the annual Medicare cost report.

Certain Medicare outpatient services are paid based on APCs ("Ambulatory Payment Classifications"), the outpatient equivalent of MSDRGs while other outpatient Medicare services are paid under a Medicare fee schedule. The Center is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after the submission of annual Medicare cost reports by the Center and audits thereof by the Medicare fiscal intermediary. The Medicare cost reports of the Center have been audited and final settled by the Medicare fiscal intermediary through the fiscal year ended September 30, 2011.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries through September 30, 2012 were reimbursed on an interim basis at prospectively determined rates with final settlement determined after the submission of the annual Medicaid cost reports by the Center and audits thereof by Medicaid. For the fiscal year ended September 30, 2013 and forward all reimbursements are made on a prospective basis. The Medicaid cost reports of the Center have been audited and final settled by Medicaid through the fiscal year ended September 30, 2010.

Other

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

Revenue from the Medicare and Medicaid programs accounted for approximately 51% and 16%, respectively, of the Center's net patient service revenue for the year ended 2015 and 2014. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Center believes that it is in compliance with all applicable laws and regulations and it has recorded adequate provisions for any inquiries and reviews. Compliance with such laws and regulations can be subject to future government review and interpretations as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. A provision (contractual adjustment) is deducted each year from the gross patient service charges to reflect the net patient service revenues earned under the Medicare and Medicaid programs. Final determination of amounts earned is computed using annual reports submitted by the Center and is subject to review and adjustment by the program's intermediary. Changes from final determination are reflected as changes in estimates generally in the year of determination. The 2015 net patient service revenue increased by approximately $1,226,000 and the 2014 net patient service revenue decreased by approximately $1,306,000 due to changes in the allowances previously estimated for tentative cost report settlements.

Contractual adjustments related to Medicare and Medicaid programs and other adjustments were deducted from gross patient service charges to arrive at net patient service revenue as follows:

	2015	2014
Gross patient service charges at established rates, net of charity care	$ 841,827,948	$ 770,995,018
Deductions:		
Contractual adjustments	(595,608,411)	(527,689,112)
Provision for bad debts	(26,569,319)	(29,037,494)
	(622,177,730)	(556,726,606)
Net patient service revenue	$ 219,650,218	$ 214,268,412

The Center qualified for disproportionate share payments from the South Carolina Medicaid Program through September 30, 2015. The Center received quarterly lump-sum payments totaling approximately $7,034,000 in 2015. The Center received quarterly lump-sum payments totaling $8,942,000 in 2014. These amounts are reflected as a reduction of Medicaid contractual adjustments.

South Carolina Medicaid interim Disproportionate Share payments are subject to audit and a final settlement process. The South Carolina Department of Health and Human Services ("SCDHHS") has selected the option to redistribute all Medicaid DSH funds for fiscal year 2012 and forward to/from all hospitals based on final audit findings. Without audit results of all hospitals in the state for each particular year and the anticipated methodology for redistribution, the Center is unable to predict settlements at this time for fiscal year 2012 or subsequent years. The Center anticipates recognition of any Medicaid DSH audit results in the period of notification of such findings and anticipated settlements from SCDHHS, which may result in significant impacts to net patient service revenue in the year of recognition.

Medicare and Medicaid Electronic Health Records ("EHR") Incentives

EHR incentive reimbursements are payments received under the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act") which was enacted into law as part of the American Recovery and Reinvestment Act of 2009 ("ARRA"). The HITECH Act includes provisions designed to increase the use of EHR by both physicians and hospitals. Beginning with federal fiscal year 2011 (federal fiscal year is October 1 through September 30) and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of their certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The Center recognized approximately $- and $1,049,021 of revenues related to EHR incentive reimbursements for the years ended September 30, 2015 and 2014, respectively. These revenues are reflected in other operating revenues on the accompanying statements of revenues, expenses, and changes in net position. The Center recognizes income related to EHR incentive payments using the grant cliff recognition method under which the revenue is recognized at the end of the EHR reporting period once it is determined that the EHR meaningful use criteria has been complied with and has been attested to. The Center must attest to certain criteria in order to qualify to receive the incentive payments. The amount of the incentive payments are calculated using predetermined formulas based on available information, primarily related to discharges and patient days. Future incentive payments could vary due to certain factors such as availability of federal funding for both Medicare and Medicaid incentive payments and the Center's ability to implement and demonstrate meaningful use of certified EHR technology. The Center has and will continue to incur both capital costs and operating expenses in order to implement its certified EHR technology and meet meaningful use requirements in the future. These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use. The timing of recognizing the expenses may not correlate with the receipt of the incentive payments and the recognition of revenues. There can be no assurance that the Center will be able to continue to demonstrate meaningful use of certified EHR technology in the future, and the failure to do so could have a material, adverse effect on the results of operations. As a part of operating this program, there is a reasonable possibility that government authorities may make adjustments to amounts previously recorded by the Center. The Center's attestation of demonstrating meaningful use is also subject to review by the appropriate government authorities. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

7. Operating Leases

The Center leases medical and business equipment under operating leases expiring at various dates through 2019. Total rent expense in 2015 and 2014 for all operating leases was approximately $2,527,000 and $2,123,000, respectively.

The following is a schedule by year of future remaining lease payments under operating leases at September 30, 2015, that have initial remaining lease terms in excess of one year.

2016	$ 830,125
2017	686,380
2018	336,370
2019	66,447
	$ 1,919,322

8. Pension Plans

Pension Plan Description

The Plan is a single-employer defined benefit pension plan, which provides for retirement, death, and disability benefits to plan participants and beneficiaries. The Center reserves the right to amend the Plan at any time. If the Plan is terminated, the Plan assets will be distributed among the plan participants based upon a priority allocation procedure. The Center shall be liable for any unfunded vested benefits to the extent required by law.

Effective January 1, 2010, the Plan was amended to permanently suspend benefit accruals. No additional benefits accrue under the Plan for service on and after January 1, 2010. However, employees continue to accrue years of service for the purposes of qualifying for vesting, early retirement, and normal retirement.

The Plan issues a stand-alone financial report which can be obtained upon request from the Center. The plan year is from January 1 to December 31 and actuarial assumptions and other information is presented based on plan years ended December 31, 2014 and 2013.

Pension Benefits

Participants with five or more years of service, as defined by the Plan, are entitled to pension benefits upon retirement when they meet the requirements of the plan. If employees terminate before rendering five years of continuous service, they forfeit the right to receive pension benefits upon retirement. Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities, including a lump-sum payment option if the value is less than $5,000.

Death and Disability Benefits

In the event of a vested employee’s death, his or her designated beneficiary will be entitled to receive a survivor benefit equal to 50% of the participant’s accrued benefit (survivor annuity), according to Plan provisions. The survivor benefit commences on the earliest date that the deceased participant could have elected to receive retirement benefits. If a participant becomes disabled, he or she may elect disability retirement. Disabled participants are eligible for early retirement when the benefits under the Center’s long-term disability insurance expire.

Employees Covered by Benefit Terms

At the October 1, 2014 and 2013 measurement dates, the following employees were covered by the benefit terms:

	2013	2014
Active employees	866	796
Inactive participants entitled to future benefits	558	571
Inactive participants receiving benefits	324	343
Beneficiaries receiving benefits	37	42
Disabled participants receiving benefits	7	6
	1,792	1,758

Contributions

Contributions to provide benefits under the Plan are made solely by the Center. The entire cost of the Plan is borne by the Center. Plan members are not required to contribute to the Plan. The Center contributes at an actuarially determined rate under the Plan sponsor's funding policy for the Plan year. The Center contributed approximately $3,719,000 and $3,227,000 to the Plan for the Center's fiscal years ended September 30, 2015 and 2014, respectively.

Although it has not expressed any intent to do so, the Center has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth under ERISA.

Net Pension Liability

The most recent annual actuarial valuation reports are as of October 1, 2014. The net pension liability of the defined benefit pension plan was therefore determined based on the October 1, 2014 actuarial valuations, using membership data as of October 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension funds as of October 1, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the Center's consulting actuary.

For the years ended September 30, 2015 and 2014, the Center recognized pension expense of approximately $2,167,000 and $1,857,000, respectively.

The following represents the changes in the net pension liability as of September 30, 2015 and 2014:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2014	$ 72,790,481	$ 39,709,391	$ 33,081,090
Changes for the year:			
Interest	5,095,316	-	5,095,316
Differences between expected and actual experience	159,276	(1,583,246)	1,742,522
Contributions - employer	-	3,227,024	(3,227,024)
Expected return on assets	-	2,750,999	(2,750,999)
Benefits paid	(3,227,024)	(3,227,024)	-
Administrative expenses	(168,342)	(26,755)	(141,587)
Net changes	1,859,226	1,140,998	718,228
Balances at September 30, 2015	$ 74,649,707	$ 40,850,389	$ 33,799,318

Sensitivity Analysis

The following represents the sensitivity of the total pension liability and the net pension liability to changes in the interest rate based on values as of October 1, 2014:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Total pension liability	$ 85,485,066	$ 74,649,707	$ 65,890,347
Fiduciary net position	40,850,389	40,850,389	40,850,389
Net pension liability	$ 44,634,677	$ 33,799,318	$ 25,039,958
Funded %	47.79%	54.72%	62.00%

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability in the October 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	7.0%
Inflation	2.5%
Expected return on plan assets	7.0%
Mortality	RP-2014 Total Dataset Mortality Table with MP-2014 Projection Scale

The discount rate adopted by the Center for valuing plan liabilities was determined by the methods prescribed under GASB 68 which requires the use of a long term rate of return on plan assets, unless a projection of the net fiduciary position will not be sufficient to provide for projected benefit payments of the covered current and former employees.

The projected return on plan assets and inflation assumptions are developed through review of current and historical capital markets data and historical performance of investment strategies. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2015 are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return
Bonds	52.0%	5.15%
Equities	48.0%	9.00%
	100.0%	

Deferred Outflows of Resources Related to Pensions

At September 30, 2015, the Center reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 125,885
Difference between expected and actual return on plan assets	1,266,597
Contributions made after measurement date	3,718,954
	$ 5,111,436

The amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	$ 4,068,994
2017	350,040
2018	350,040
2019	342,362
Net Balance of Deferred Outflows of Resources	$ 5,111,436

Other Plans

The Center also has a retirement savings plan under Section 403(b) of the Internal Revenue Code ("IRC") that covers substantially all employees. The retirement and savings plan allows employees to contribute amounts as limited by the IRC. The Center matches contributions equal to 25% of the participants' contribution up to a maximum of 6% of compensation for eligible participants. Participants are fully vested in the Center's matching contributions after five years of service. The Center contributed approximately $703,000 and $574,000 to the retirement and savings plan for the years ended September 30, 2015 and 2014, respectively.

The Center established a defined contribution plan effective January 1, 2010. All employees who work at least 1,000 hours in a year will earn vesting service time in the define contribution plan. The Center makes contributions to the defined contribution plan on the employee's behalf based on years of vesting service as defined in the defined contribution plan document. Contributions to the defined contribution plan were approximately $2,659,000 and 1,857,000 for the years ended September 30, 2015 and 2014.

9. Commitments and Contingencies

Professional Liability Insurance

Malpractice claims arising from services provided to patients have been asserted against the Center by various claimants, and additional claims may be asserted for known incidents through September 30, 2015. The claims are in various stages of processing, and some may ultimately be brought to trial. Moreover, additional claims arising from services provided to patients in the past may be asserted.

Effective October 1, 2001, the Center changed its professional liability insurance coverage from a claims-made policy to an incurred policy carried by the Insurance Reserve Fund of the State of South Carolina. Incidents occurring prior to October 1, 2001, have been and may be asserted against the Center, and these claims would not be covered under the current professional liability insurance policy. The ultimate disposition of liabilities relating to claims that occurred prior to October 1, 2001, is subject to inherent uncertainties. However, management is of the opinion that, taking into account the applicable professional liability insurance coverage, and the Center's experience with past claims, the results of these claims and potential claims will not have a material adverse effect on the Center's combined financial position or combined results of operations. The Center is protected under the South Carolina Tort Claims Act, which has a cap of $1,200,000 for physician errors and $300,000 for other medical staff errors.

Settled claims have not exceeded commercial insurance coverage in any of the three preceding years, except for those incidences occurring prior to October 1, 2001, which were not covered under the current professional liability insurance policy.

Self-Insurance Medical Plan

The Center's health insurance plan is a self-insured medical plan (the "Medical Plan") that provides certain benefits for covered employees. The employees pay a monthly premium and the Medical Plan will pay for certain medical expenses as defined in the Medical Plan document. The Medical Plan has a lifetime coverage maximum of $1 million per covered participant. The Center maintains individual stop-loss insurance coverage for a covered participant's annual claims in excess of $175,000. At September 30, 2015 and 2014, the Center has recorded an accrual for incurred but not reported claims of approximately $1,372,000 and $1,335,000, respectively.

Workers' Compensation

The Center has a high-deductible insurance policy under which the Center is responsible for the first $50,000 of cost on each claim, and is fully covered for any claim over the deductible amount. At September 30, 2015 and 2014, the Center has recorded an accrual for expected future claim costs of approximately $385,000 and $272,000, respectively.

Litigation

The Center is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Center's future combined financial position or combined results from operations.

Industry

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulation by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services billed.

On January 9, 2013, the Center submitted a voluntary self-disclosure to the Centers for Medicare and Medicaid Services ("CMS") under the CMS Voluntary Self-Referral Disclosure Protocol regarding a potential technical Stark violation that the Center discovered as a part of its routine compliance review. It is believed that any settlement resulting from the disclosure will not be material but it is difficult to predict the amount of any settlement due to the limited information available regarding such settlements.

10. Unconditional Promises to Give

Unconditional promises to give are included in other receivables on the accompanying combined statements of net position and consisted of the following at September 30, 2015 and 2014:

	2015	2014
Receivable in less than one year	$ 615,604	$ 843,495
Receivable in one to five years	904,134	973,591
Discount to net present value	(25,081)	(31,489)
Allowance for uncollectible pledges	(75,987)	(181,708)
	$ 1,418,670	$ 1,603,889

11. Management Agreement

The Center has a management contract with Quorum Health Resources, Inc. ("QHR"). Management fees are adjusted annually by the change in the consumer price index but limited to annual increases of 6.0%. The management contract also provides the Center with a chief executive officer whose salary is paid in addition to the above-mentioned fee. The management fee for the years ended September 30, 2015 and 2014, was approximately $759,000 and $743,000, respectively.

12. Vendor Negotiated Settlement

In 2014, the Center negotiated a $29,000,000 multi-year settlement agreement with a vendor. According to governmental accounting rules, the professional fees related to the transaction must be recorded in the year incurred and the benefits of the settlement be recorded in the year the benefit is received. Approximately $2,500,000 was recorded as revenue on the combined statement of revenues, expenses, and changes in net position for the year ended September 30, 2014. Also, approximately $7,693,000 of professional fees were expensed on the combined statements of revenues, expenses, and changes in net position for the year ended September 30, 2014. Approximately $2,291,000 reduction of professional fees were recognized on the combined statements of revenues, expenses, and changes in net position for the year ended September 30, 2015.

13. Subsequent Events

Subsequent events have been evaluated through January 26, 2016, which is the date the combined financial statements were available to be issued.

Required Supplemental Information

	September 30, 2015	September 30, 2014
Total pension liability		
Interest	$ 5,095,316	$ 4,846,904
Differences between expected and actual experience	159,276	(517,200)
Assumption changes	-	3,672,658
Benefits paid	(3,227,024)	(2,985,743)
Administrative expenses	(168,342)	-
Net change in total pension liability	1,859,226	5,016,619
Total pension liability - beginning	72,790,481	67,773,862
Total pension liability - ending (a)	$ 74,649,707	$ 72,790,481
Plan fiduciary net position		
Contributions - employer	$ 3,227,024	$ 2,985,743
Net investment income	2,750,999	2,800,793
Benefits paid	(3,227,024)	(2,985,743)
Difference between expected and actual	(1,583,246)	(3,102,727)
Administrative expenses	(26,755)	-
Net change in plan fiduciary net position	1,140,998	(301,934)
Total plan fiduciary net position - beginning	39,709,391	40,011,325
Total plan fiduciary net position - ending (b)	$ 40,850,389	$ 39,709,391
Net pension liability - ending (a) - (b)	$ 33,799,318	$ 33,081,090
Plan fiduciary net position as a percentage of the total pension liability	54.72%	54.55%
Covered-employee payroll	$ 53,720,277	$ 57,173,662
Net pension liability as a percentage of covered-employee payroll	62.92%	57.86%

	September 30, 2015	September 30, 2014
Actuarially determined contribution	$ 2,520,078	$ 2,090,919
Contributions in relation to the actuarially determined contribution	3,718,954	3,227,024
Contribution excess	$ (1,198,876)	$ (1,136,105)
Covered-employee payroll	$ 53,720,277	$ 57,173,662
Contributions as a percentage of covered-employee payroll	6.92%	5.64%

Notes to Schedule

Measurement date	October 1, 2014
Valuation date	October 1, 2014
Salary increases	N/A, plan frozen in 2010
Discount rate	7.00%
Expected rate of return on plan assets	7.00%
Inflation Rate	2.5%
Mortality	RP-2014 Total Dataset Mortality Table with MP-2014 Projection Scale

Supplemental Information

The Regional Medical Center of Orangeburg and Calhoun Counties
Combining Statement of Net Position Information
September 30, 2015

Assets and Deferred Outflows	The Medical Center	ERHS	Foundation	Combined Total	Eliminating Entries	Combined Total
Current assets:						
Cash and cash equivalents	$ 8,601,909	$ 431,212	$ 1,377,517	$ 10,410,638	$ -	$ 10,410,638
Patient accounts receivable, net of estimated doubtful accounts of approximately $5,686,000	25,803,132	304,037	-	26,107,169	-	26,107,169
Drugs and supplies	4,543,751	-	-	4,543,751	-	4,543,751
Other receivables, net	196,113	16,388	615,604	828,105	-	828,105
Prepaid expenses	3,087,882	24,122	-	3,112,004	-	3,112,004
Estimated third party payor settlements	1,024,812	-	-	1,024,812	-	1,024,812
Total current assets	43,257,599	775,759	1,993,121	46,026,479	-	46,026,479
Assets limited as to use	63,565,564	-	29,866	63,595,430	-	63,595,430
Due from affiliate	27,086,954	-	-	27,086,954	(27,086,954)	-
Capital assets, net	66,497,480	416,650	-	66,914,130	-	66,914,130
Other receivables, net	-	-	803,066	803,066	-	803,066
Total assets	200,407,597	1,192,409	2,826,053	204,426,059	(27,086,954)	177,339,105
Deferred outflows:						
Pension deferrals	5,111,436	-	-	5,111,436	-	5,111,436
Total deferred outflows	5,111,436	-	-	5,111,436	-	5,111,436
Total assets and deferred outflows	$ 205,519,033	$ 1,192,409	$ 2,826,053	$ 209,537,495	$ (27,086,954)	$ 182,450,541

(continued)

Liabilities and Net Position	The Medical Center	ERHS	Foundation	Combined Total	Eliminating Entries	Combined Total
Current liabilities:						
Current maturities of long-term debt	$ 1,020,000	$ -	$ -	$ 1,020,000	$ -	$ 1,020,000
Accounts payable	8,970,590	100,852	-	9,071,442	-	9,071,442
Accrued salaries and wages	6,213,630	452,497	-	6,666,127	-	6,666,127
Accrued vacation	5,789,966	332,272	-	6,122,238	-	6,122,238
Accrued employee medical	1,236,909	135,254	-	1,372,163	-	1,372,163
Other accrued expenses	366,146	-	-	366,146	-	366,146
Estimated third party payor settlements	2,496,193	-	-	2,496,193	-	2,496,193
Total current liabilities	26,093,434	1,020,875	-	27,114,309	-	27,114,309
Due to affiliate	-	27,086,954	-	27,086,954	(27,086,954)	-
Net pension liability	33,799,318	-	-	33,799,318	-	33,799,318
Long-term debt, net of current maturities	31,975,000	-	-	31,975,000	-	31,975,000
Total liabilities	91,867,752	28,107,829	-	119,975,581	(27,086,954)	92,888,627
Net position:						
Net investment in capital assets	33,502,480	416,650	-	33,919,130	-	33,919,130
Restricted for:						
Nonexpendable	30,000	-	-	30,000	-	30,000
By donor for specific activites or capital acquisitons	-	-	2,521,229	2,521,229	-	2,521,229
Unrestricted	80,118,801	(27,332,070)	304,824	53,091,555	-	53,091,555
Total net position	113,651,281	(26,915,420)	2,826,053	89,561,914	-	89,561,914
Total liabilities and net position	$ 205,519,033	$ 1,192,409	$ 2,826,053	$ 209,537,495	$ (27,086,954)	$ 182,450,541

The Regional Medical Center of Orangeburg and Calhoun Counties
Combining Statements of Revenues, Expenses, and Changes in Net Position Information
For the Year Ended September 30, 2015

	The Medical Center	ERHS	Foundation	Combined Total	Eliminating Entries	Combined Total
Operating revenues:						
Net patient service revenue, net of provision for bad debts of approximately $26,569,000	$ 215,092,397	$ 4,557,821	$ -	$ 219,650,218	$ -	$ 219,650,218
Other	3,634,290	3,324,483	-	6,958,773	(3,188,204)	3,770,569
Total operating revenues	218,726,687	7,882,304	-	226,608,991	(3,188,204)	223,420,787
Operating expenses:						
Salaries and wages	97,983,052	6,506,480	-	104,489,532	-	104,489,532
Employee benefits	21,004,051	1,445,622	-	22,449,673	-	22,449,673
Supplies	36,095,486	273,243	-	36,368,729	-	36,368,729
Professional fees and services	33,708,772	934,799	-	34,643,571	(3,188,204)	31,455,367
Other	21,420,953	763,794	-	22,184,747	-	22,184,747
Depreciation and amortization	11,694,207	110,620	-	11,804,827	-	11,804,827
Total operating expenses	221,906,521	10,034,558	-	231,941,079	(3,188,204)	228,752,875
Operating loss	(3,179,834)	(2,152,254)	-	(5,332,088)	-	(5,332,088)
Nonoperating revenues (expenses):						
Investment income, net	2,219,110	-	14,699	2,233,809	-	2,233,809
Noncapital grants and contributions	1,232,975	-	825,931	2,058,906	(1,288,866)	770,040
Foundation expenses	-	-	(1,389,328)	(1,389,328)	1,288,866	(100,462)
Interest expense	(1,025,832)	-	-	(1,025,832)	-	(1,025,832)
Total nonoperating revenues (expenses)	2,426,253	-	(548,698)	1,877,555	-	1,877,555
Decrease in net position	(753,581)	(2,152,254)	(548,698)	(3,454,533)	-	(3,454,533)
Net position (deficit), beginning of the year	114,404,862	(24,763,166)	3,374,751	93,016,447	-	93,016,447
Net position (deficit), end of the year	$ 113,651,281	$ (26,915,420)	$ 2,826,053	$ 89,561,914	$ -	$ 89,561,914

	2015	2014
Management service contracts	$ 1,066,839	$ 1,188,934
Utilities	3,370,048	3,240,725
Sales tax	1,843,939	2,297,094
Insurance	1,584,288	1,793,120
Advertising	247,887	261,495
License tax	4,620,824	4,677,542
Equipment rentals	2,540,157	2,133,536
Minor equipment	442,700	488,291
Outside lab services	773,633	672,051
Repairs	595,962	406,213
Employee scholarships	59,207	105,649
Recruiting	651,808	830,258
Hospice	174,788	199,577
Employee recognition	96,485	82,245
Memberships and dues	351,843	308,100
Freight and shipping	403,665	423,339
Education	651,008	235,566
Computers and software	81,606	35,036
Books and subscriptions	854,554	569,880
Microfilming and storage	90,274	93,584
Linens	25,820	24,880
Bank charges	146,726	120,664
Pest control	30,993	33,570
Auto	7,845	9,467
Miscellaneous	1,471,848	1,917,699
Total	$ 22,184,747	$ 22,148,515

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Schedules of Professional Fees and Services Information
For the Years Ended September 30, 2015 and 2014

	2015	2014
Outside services	$ 8,810,515	$ 9,341,600
Physician fees	7,861,860	5,462,964
Contract labor	4,797,955	2,664,946
Maintenance Contracts	5,623,999	5,488,232
Collection expenses	1,819,957	1,986,447
Legal expenses	639,817	8,574,815
Consultants	1,036,733	1,219,181
Management contract - Quorum	758,658	747,704
Audit fees	88,106	75,000
Rental expense	17,767	21,472
Total	$ 31,455,367	$ 35,582,361