The DCH Health Care Authority

Combined Financial Statements, Required Supplementary Information and Additional Information

Years Ended September 30, 2020 and 2019

Table of Contents

Independent Auditors' Report

Board of Directors
The DCH Health Care Authority
Tuscaloosa, Alabama

Report on the Financial Statements

We have audited the accompanying combined financial statements of The DCH Health Care Authority (the "Authority") and its discretely presented component unit, as of and for the years ended September 30, 2020 and 2019, and the related notes to the combined financial statements, which collectively comprise the Authority's basic combined financial statements as listed in the table of contents.

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 opinions 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 ("GAAP") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from 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 auditors' 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of The DCH Health Care Authority and its discretely presented component unit as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic combined financial statements. Such missing information, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic or historical context. Our opinions on the basic combined financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Changes in Net Pension and OPEB Liabilities and Related Ratios on pages 46-49 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audits of the basic combined 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

The Organization Data has not been subjected to the auditing procedures applied by us in the audit of the basic combined financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it. The memorandum totals in the basic combined financial statements are not GAAP and were not audited by us.

DHG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 7, 2021 on our consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Greenville, South Carolina
January 7, 2021

	2020			2019		
	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current assets:						
Cash and cash equivalents	**$ 191,625,414**	**$ 556,216**	**$ 192,181,630**	$ 70,997,546	$ 424,309	$ 71,421,855
Patient accounts receivable, net of allowances for uncollectible accounts of $44,147,829 and $26,855,555 for the years ended 2020 and 2019, respectively	**62,095,611**	**-**	**62,095,611**	61,301,633	-	61,301,633
Other receivables	**2,494,585**	**161,352**	**2,655,937**	2,651,779	100,963	2,752,742
Inventory of supplies	**10,788,468**	**-**	**10,788,468**	9,201,316	-	9,201,316
Estimated third-party payor settlements receivable	**-**	**-**	**-**	2,313,804	-	2,313,804
Prepaid expenses	**7,138,710**	**3,101**	**7,141,811**	5,814,194	17,643	5,831,837
Total current assets	**274,142,788**	**720,669**	**274,863,457**	152,280,272	542,915	152,823,187
Noncurrent assets:						
Assets whose use is limited or restricted						
By boards for funded depreciation	**78,161,148**	**-**	**78,161,148**	75,085,942	-	75,085,942
Funded escrow for capital expenditure	**17,167,215**	**-**	**17,167,215**	31,090,255	-	31,090,255
Under bond indenture agreement held by trustee	**2,227**	**-**	**2,227**	4,040,810	-	4,040,810
By board for employee benefit plans	**7,418,315**	**-**	**7,418,315**	7,467,551	-	7,467,551
Total assets whose use is limited or restricted	**102,748,905**	**-**	**102,748,905**	117,684,558	-	117,684,558
Capital assets, net	**300,745,429**	**-**	**300,745,429**	290,539,524	-	290,539,524
Land held for future expansion	**1,163,544**	**-**	**1,163,544**	1,163,544	-	1,163,544
Investment interest receivable	**1,287,459**	**-**	**1,287,459**	1,174,034	-	1,174,034
Investments - other	**118,659,779**	**9,577,186**	**128,236,965**	114,537,924	9,621,289	124,159,213
Investments in joint ventures	**7,933,496**	**-**	**7,933,496**	10,490,951	-	10,490,951
Total noncurrent assets	**532,538,612**	**9,577,186**	**542,115,798**	535,590,535	9,621,289	545,211,824
Total assets	**806,681,400**	**10,297,855**	**816,979,255**	687,870,807	10,164,204	698,035,011
Deferred outflows of resources	**17,679,831**	**-**	**17,679,831**	20,131,308	-	20,131,308
Total assets and deferred outflows of resources	**$ 824,361,231**	**$ 10,297,855**	**$ 834,659,086**	$ 708,002,115	$ 10,164,204	$ 718,166,319

See accompanying notes.

(Continued)

	2020			2019		
	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION						
Current liabilities:						
Accounts payable	**$ 26,005,430**	**$ 206,925**	**$ 26,212,355**	$ 23,220,054	$ 33,598	$ 23,253,652
Accrued payroll	**16,805,479**	**-**	**16,805,479**	11,844,454	-	11,844,454
Current maturities of long-term debt	**4,054,780**	**-**	**4,054,780**	6,295,000	-	6,295,000
Accrued compensated absences	**16,600,391**	**-**	**16,600,391**	15,630,095	-	15,630,095
Estimated third-party payor settlements payable	**4,263,687**	**-**	**4,263,687**	-	-	-
Unearned revenue	**91,836,365**	**-**	**91,836,365**	-	-	-
Other current liabilities	**14,183,118**	**-**	**14,183,118**	16,834,570	-	16,834,570
Total current liabilities	**173,749,250**	**206,925**	**173,956,175**	73,824,173	33,598	73,857,771
Noncurrent liabilities:						
Revenue bonds	**62,040,197**	**-**	**62,040,197**	64,873,294	-	64,873,294
Long-term lease obligation	**35,807,127**	**-**	**35,807,127**	34,750,000	-	34,750,000
Net pension liability	**87,050,740**	**-**	**87,050,740**	80,645,426	-	80,645,426
Net OPEB liability	**4,827,870**	**-**	**4,827,870**	7,475,407	-	7,475,407
Deferred compensation liability	**1,944,325**	**-**	**1,944,325**	2,410,915	-	2,410,915
Total noncurrent liabilities	**191,670,259**	**-**	**191,670,259**	190,155,042	-	190,155,042
Total liabilities	**365,419,509**	**206,925**	**365,626,434**	263,979,215	33,598	264,012,813
Deferred inflows of resources	**3,709,537**	**-**	**3,709,537**	7,163,674	-	7,163,674
Net position:						
Net investment in capital assets	**217,174,084**	**-**	**217,174,084**	220,534,774	-	220,534,774
Unrestricted	**238,058,101**	**10,090,930**	**248,149,031**	216,324,452	10,130,606	226,455,058
Total net position	**455,232,185**	**10,090,930**	**465,323,115**	436,859,226	10,130,606	446,989,832
Total liabilities, deferred inflows of resources and net position	**$ 824,361,231**	**$ 10,297,855**	**$ 834,659,086**	$ 708,002,115	$ 10,164,204	$ 718,166,319

See accompanying notes.

The DCH Health Care Authority
Combined Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020			2019		
	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)
Operating revenues:						
Net patient service revenue, net of provision for bad debts of $39,947,789 and $28,969,260 for the years ended 2020 and 2019, respectively	$ 513,277,801	$ -	$ 513,277,801	$ 528,358,281	$ -	$ 528,358,281
Other operating revenue	19,137,986	1,984,459	21,122,445	12,401,418	2,799,436	15,200,854
Total operating revenues	532,415,787	1,984,459	534,400,246	540,759,699	2,799,436	543,559,135
Operating expenses:						
Salaries, benefits and contract labor	283,851,304	346,977	284,198,281	266,772,236	384,764	267,157,000
Medical supplies and drugs	135,230,410	-	135,230,410	129,787,802	-	129,787,802
Depreciation and amortization	31,574,652	-	31,574,652	31,494,508	-	31,494,508
Purchased services	21,223,662	-	21,223,662	17,595,202	-	17,595,202
Repairs and service contracts	22,747,003	-	22,747,003	23,062,662	-	23,062,662
Physician fees	20,460,035	-	20,460,035	21,681,864	-	21,681,864
Utilities	9,643,038	-	9,643,038	9,719,399	-	9,719,399
Other operating expenses	14,073,530	563,103	14,636,633	27,679,375	415,746	28,095,121
Insurance	3,493,920	-	3,493,920	3,404,727	-	3,404,727
Rent	1,802,766	-	1,802,766	1,728,121	-	1,728,121
Total operating expenses	544,100,320	910,080	545,010,400	532,925,896	800,510	533,726,406
Operating (loss) income	(11,684,533)	1,074,379	(10,610,154)	7,833,803	1,998,926	9,832,729
Nonoperating revenues (expenses):						
Investment income	8,812,012	435,924	9,247,936	9,790,690	524,069	10,314,759
Earnings in joint ventures	1,055,043	-	1,055,043	1,089,766	-	1,089,766
Sales tax proceeds	6,115,325	-	6,115,325	6,106,313	-	6,106,313
Interest expense	(3,718,840)	-	(3,718,840)	(2,643,660)	-	(2,643,660)
Donations & grants	17,793,952	(1,549,979)	16,243,973	2,696,043	(1,169,600)	1,526,443
Total nonoperating revenues (expenses) - net	30,057,492	(1,114,055)	28,943,437	17,039,152	(645,531)	16,393,621
Increase (decrease) in net position	18,372,959	(39,676)	18,333,283	24,872,955	1,353,395	26,226,350
Net position beginning of year	436,859,226	10,130,606	446,989,832	411,986,271	8,777,211	420,763,482
Net position - end of year	$ 455,232,185	$ 10,090,930	$ 465,323,115	$ 436,859,226	$ 10,130,606	$ 446,989,832

See accompanying notes.

The DCH Health Care Authority
Combined Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020			2019		
	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)
Cash flows from operating activities:						
Cash received from patient services	$ 516,747,510		$ 516,747,510	$518,908,461	$ -	$ 518,908,461
Cash received from other operating activities	19,295,180	1,924,070	21,219,250	16,954,902	2,719,024	19,673,926
Payments to vendors and suppliers	(229,138,304)	(375,235)	(229,513,539)	(233,817,054)	(516,931)	(234,333,985)
Payments to employees, related benefits and contract labor	(275,631,456)	(346,977)	(275,978,433)	(262,181,010)	(384,764)	(262,565,774)
Net cash provided by operating activities	31,272,930	1,201,858	32,474,788	39,865,299	1,817,329	41,682,628
Cash flows from noncapital financing activities:						
Sales tax proceeds	6,115,325	-	6,115,325	6,106,313	-	6,106,313
Unearned revenue	91,836,365	-	91,836,365	-	-	-
Cash received (provided) through grants and donations	17,793,952	(1,549,979)	16,243,973	2,696,043	(1,169,600)	1,526,443
Net cash provided (used) by noncapital financing activities	115,745,642	(1,549,979)	114,195,663	8,802,356	(1,169,600)	7,632,756
Cash flows from capital and related financing activities:						
Purchases of capital assets	(39,388,250)	-	(39,388,250)	(37,716,124)	-	(37,716,124)
Payment of capital lease and installment obligations	(70,400)	-	(70,400)	-	-	-
Proceeds from issuance of debt	-	-	-	70,100,000	-	-
Principal paid on long-term debt	(6,295,000)	-	(6,295,000)	(32,635,000)	-	(32,635,000)
Interest paid on long-term debt	(3,761,937)	-	(3,761,937)	(2,686,756)	-	(2,686,756)
Net cash used by capital and related financing activities	(49,515,587)	-	(49,515,587)	(2,937,880)	-	(73,037,880)
Cash flows from investing activities:						
Net change in assets whose use is limited	14,935,653	-	14,935,653	(38,988,040)	-	(38,988,040)
Net change in investments - other	(4,121,855)	44,104	(4,077,751)	(18,085,137)	(1,160,130)	(19,245,267)
Capital contribution to joint venture	-	-	-	(1,000,000)	-	(1,000,000)
Distributions received from joint ventures	3,612,498	-	3,612,498	1,372,000	-	1,372,000
Investment income	8,698,587	435,924	9,134,511	9,645,588	524,069	10,169,657
Net cash used (provided) by investing activities	23,124,883	480,028	23,604,911	(47,055,589)	(636,061)	(47,691,650)
Net increase (decrease) in cash and cash equivalents	120,627,868	131,907	120,759,775	(1,325,814)	11,668	(1,314,146)
Cash and cash equvalents:						
Beginning of year	70,997,546	424,309	71,421,855	72,323,360	412,641	72,736,001
End of year	$ 191,625,414	$ 556,216	$ 192,181,630	$ 70,997,546	$ 424,309	$ 71,421,855

	2020			2019		
	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)	Authority	Component Unit	Totals - (Memorandum Only) Reporting Entity (Unaudited)
Reconciliation of operating income to net cash provided by operating activities:						
Operating (loss) income	**$ (11,684,533)**	**$ 1,074,379**	**$ (10,610,154)**	$7,833,803	$1,998,926	$ 9,832,729
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:						
Depreciation and amortization	**31,574,652**	**-**	**31,574,652**	31,494,508	-	31,494,508
Provision for bad debts	**39,947,789**	**(17,929)**	**39,929,860**	28,969,260	2,283	28,971,543
Change in net patient accounts receivable	**(40,741,767)**	**-**	**(40,741,767)**	(32,764,802)	-	(32,764,802)
Change in estimated third-party payor settlements	**4,263,687**	**-**	**4,263,687**	(5,680,178)	-	(5,680,178)
Change in inventory and other current assets	**(440,670)**	**(27,920)**	**(468,590)**	(1,533,548)	(75,398)	(1,608,946)
Change in net pension liability	**6,405,314**	**-**	**6,405,314**	(240,743)	-	(240,743)
Change in pension deferreds	**(1,002,660)**	**-**	**(1,002,660)**	4,267,617	-	4,267,617
Change in total OPEB liability	**(3,114,127)**	**-**	**(3,114,127)**	188,837	-	188,837
Change in accounts payable	**2,785,376**	**173,327**	**2,958,703**	4,109,414	(108,482)	4,000,932
Change in accrued payroll and compensated absences	**5,931,321**	**-**	**5,931,321**	363,342	-	363,342
Change in other current liabilities	**(2,651,452)**	**-**	**(2,651,452)**	2,857,790	-	2,857,790
Net cash provided by operating activities	**$ 31,272,930**	**$ 1,201,857**	**$ 32,474,787**	$ 39,865,300	$ 1,817,329	$ 41,682,629
Supplemental disclosure of noncash investing, capital, and financing activities						
Capital assets acquired through capital leases	**$ 2,392,307**	**$ -**	**$ 4,055,216**	$ -	$ -	$ -

Notes to Combined Financial Statements

1. Description of Reporting Entity and Summary of Significant Accounting Policies

Organization

The DCH Health Care Authority (the "Authority") is a public corporation organized under the laws of the State of Alabama and reincorporated under the Health Care Authorities Act of 1982 on June 29, 1982. The Authority owns and operates DCH Regional Medical Center, a 583-bed acute care hospital located in Tuscaloosa, Alabama and Northport Medical Center, a 204-bed acute care hospital located in Northport, Alabama. The Authority leases and operates Fayette Medical Center, a 61-bed acute care hospital and 122-bed long-term care facility located in Fayette, Alabama.

Reporting entity

The accompanying combined financial statements include the accounts of the Authority and its blended component unit, DCH Holdings, Inc (DHI) and its discretely presented component unit, The DCH Foundation, Inc. ("Foundation").

DHI is a for-profit C corporation wholly owned by the Authority. The entity holds a 49% equity interest in DVA Healthcare of Tuscaloosa, LLC, a 24% equity interest in North River Surgical Center, LLC, 33.33% equity interest in West Alabama Health Properties, LLC, 100% consolidated interest in West Alabama Physician Associates, LLC, and 100% consolidated interest in Practice Advantage, Inc. This entity files its own tax returns and pays its own income tax.

The Foundation is a nonprofit corporation incorporated in 1978 to provide donations to assist, advance, and strengthen the Authority in its provision of health care services to West Alabama. The Foundation is supported by contributions from the public and proceeds from fundraising events. The Foundation's bylaws provide that all funds raised are distributed to, or held for the benefit of the Authority. Management has determined the Foundation is a discretely presented component unit in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 39. The Foundation issues stand-alone audited financial statements that can be made available upon written request.

The memorandum-only totals in the combined financial statements aggregate the combined Authority and the Foundation. In accordance with governmental accounting standards, no combining or other eliminations were recognized in arriving at the memorandum only totals; thus, they do not represent combined information as defined by relevant accounting principles. Unless otherwise noted, all footnotes relate only to the Authority and its blended component unit.

All significant intercompany accounts and transactions have been eliminated from the Authority's combined financial statements.

Enterprise fund accounting

The Authority utilizes the enterprise fund method of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and the accrual basis of accounting. As a governmental entity, the Authority follows the accounting standards promulgated by the GASB.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, interest-bearing and non-interest-bearing checking accounts, excluding amounts whose use is limited under bond indenture agreements held by trustee or by Board designation. The carrying amounts reported in the combined statements of net position for these instruments approximate their fair value.

Security for Alabama Funds Enhancement (SAFE) Act

The Authority's deposits are held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement ("SAFE") Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975,* Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, 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 financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC"). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Certain balances combined by the Authority for nongovernmental entities are not eligible to participate in the SAFE Program. These funds are covered by FDIC limits, and no material amounts were over established limits.

Investments

Investments are stated at fair value, principally based on quoted market prices. Interest, dividends, and gains and losses on investments are included in nonoperating income when earned.

Net patient accounts receivable

Patient accounts receivable are reported at net realizable value, after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical allowances and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts and decreased by write-offs of accounts determined by management to be uncollectible. The allowances for third-party discounts are based on the estimated differences between the Authority's established rates and the actual amounts to be received under each contract. Changes in estimates, which could be material, are reasonably possible in the near term.

Patient service revenue

The Authority has agreements with third-party payors that provide for payments to the Authority 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.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these governmental programs could change by a material amount in the near term.

Charity care

The Authority provides medical care without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, these charges are not reported as net patient service revenue and are written off as charity care. Further information with respect to charity care is disclosed in Note 3.

Inventory of supplies

All inventories are stated at the lower of cost (first-in, first-out) or market.

Capital assets, net

Capital asset acquisitions are recorded at cost. Capital assets donated for hospital operations are recorded as additions at fair market value on the date of receipt.

The Authority generally depreciates its equipment over the following useful lives:

Medical equipment	8 years
Other movable equipment non-computer	8 years
Computer equipment	5 years
Fixed/mechanical	10 years
Land improvements	10 years
Building improvements	20 years
Buildings	40 years

Amortization

Revenue bond discounts or premiums are amortized over the term of the bond. Amortization expense charged to operations for 2020 and 2019 was $65,341 and $280,564, respectively.

Income taxes

The DCH Health Care Authority is incorporated under Act No. 82-418 of the Alabama Code. As a local governmental entity it is exempt from federal and Alabama income taxes. DHI files state and federal tax returns as directed by statute and governmental taxing authorities. There are no material deferred tax assets or deferred tax liabilities as of September 30, 2020 and 2019.

Assets whose use is limited

Assets whose use is limited include assets set aside by the Board of Directors for future capital improvements and debt retirement and for payment of obligations for employee benefit plans, over which the Board retains control and may at its discretion subsequently use for other purposes; and assets held by a trustee under bond indenture agreements. Further information with respect to assets whose use is limited is disclosed in Note 5.

Unearned revenue

The Authority records as unearned revenue resources received for which the earnings process has not been completed. The balance recorded on the combined statements of net position as of September 30, 2020 includes approximately $44,800,000 of advanced payments received from the of Centers for Medicare & Medicaid Services ("CMS") to support cash flows during the Coronavirus disease, a global pandemic ("Covid-19"), as well as certain other pandemic-related amounts received as described in "nonoperating activity" below. The advance payments are subject to recoupment as offsets to future patient claims payments.

Debt financing costs

Debt financing costs are expensed as incurred.

Risk management

The Authority is exposed to risks of future loss from torts; theft of, damage to, expropriation of, or destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

The Authority is self-insured for employee health and dental insurance. The combined financial statements include an estimate for employee health and dental claims incurred but not reported in the statements of net position as a current liability.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of 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 may differ from those estimates.

Deferred outflows/inflows of resources

Deferred outflows of resources are not assets but represent the consumption of net position that pertains to future periods, at which time the expense will be recognized.

Deferred inflows of resources are not liabilities but represent the acquisition of net position that pertains to future periods, at which time the income will be recognized.

A summary of the Authority's deferred outflows/inflows of resources at September 30 is as follows:

	2020	2019
Deferred outflows of resources:		
Pension plans	**$ 17,637,218**	$ 19,188,661
OPEB plan	**-**	797,766
Unamortized deferred loss on debt defeasance	**42,613**	144,881
	$ 17,679,831	$ 20,131,308
Deferred inflows of resources:		
Pension plans	**$ (3,131,002)**	$ (6,548,212)
OPEB plan	-	-
Unamortized bond issue premium on advanced refunding of debt	**(578,535)**	(615,462)
	$ (3,709,537)	$ (7,163,674)

Net position

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statements included herein to conform to the 2020 presentation. Reclassifications had no impact on previously reported net position.

Operating revenues and expenses

The Authority's 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. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Donations and grants

Nonexchange transactions, such as donations, investment income, and certain grants are reported as nonoperating revenue. In accordance with GASB Technical Bulletin No. 2020-1, federal and state Coronavirus Relief Funds (“CRF”) received under the Coronavirus Aid, Relief, and Economic Security Act of 2020 (“CARES Act”) have been recorded as nonoperating revenue for the fiscal year ended September 30, 2020. During the fiscal year ended September 30, 2020, the Authority received state and federal CARES Act grant distributions of approximately $66,612,000. As a result, approximately $15,236,000 of nonoperating revenue was recorded in the combined statements of revenues, expenses and changes in net position. Additional federal and state grants are possible (see “Commitments and Contingencies” and “Subsequent events” below), but the terms and total amounts potentially ultimately available is unknown at this time.

Revenues recognized from the CARES Act were limited to expenses attributable to COVID-19 that were not reimbursed by other sources and lost operating margin attributable to COVID-19. COVID-19 related expenses recognized consisted of actual healthcare and general/administrative expenses incurred to prevent, prepare, and respond to COVID-19, as well as to maintain healthcare delivery. Lost operating margin recognized was based on the negative change in year over year net operating income from patient care related sources to estimate the adverse impact of COVID-19 on operations.

Compensated absences

An accrual for estimated compensated absences is included in the accompanying statements of net position as a current liability.

The Authority's employees earn paid time off (“PTO”) at varying rates depending on years of service. PTO accumulates and may be accrued to a maximum that varies based on an employee's routinely scheduled hours. From time to time the Authority provides retention bonuses to it's employees. These bonuses are accrued over the requisite services periods and are paid once employee has achieved the retained period.

Employees of Fayette Medical Center also accumulate sick time per pay period up to a pre-defined maximum. A portion of an employee's sick time not used may be paid to an employee upon retirement.

Advertising

Advertising costs are expensed as incurred. Advertising costs of $664,706 and $798,002 were charged to expense in 2020 and 2019, respectively.

Adoption of new accounting pronouncement

In June 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The amendments in this ASU defer the effective dates of lease and fiduciary activities pronouncements, among others, to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by Covid-19, a global pandemic. See below for upcoming pronouncements, and impact on effective dates by this adopted pronouncement.

Recent accounting pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases.* This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements for this statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Authority is still evaluating the impact, if any, of this statement in the year of adoption.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements for this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating the impact, if any, of this statement in the year of adoption.

Subsequent events

Management has evaluated subsequent events and their potential effects on these combined financial statements through January 7, 2021, which is the date the combined financial statements were issued.

In October and November 2020, The Department of Health and Human Services (“HHS”) issued Post-Payment Notice of Reporting Requirements (“PPNRR”) which established revised reporting criteria for providers which received Provider Relief Fund (“PRF”) payments under the CARES Act legislation. The guidance provided in the PPNRR and subsequently issued responses to frequently asked questions are advisory in nature, and subject to change, and it is unknown at the report date what impacts this, and future guidance will have on PRF funding and revenue recognition. As such, amounts recognized as nonoperating revenue for the year ended September 30, 2020 are subject to change and those changes could be material. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

Due to the nature and extent of the guidance that existed as of September 30, 2020, the issuance of the PPNRR is considered a change in requirements from the initial guidance that the Authority operated under when attesting to the terms and conditions of the awards. Conditions may exist, or arise, that are outside of this report date, but in the scope of the HHS definition that would disallow previously recognized PRF proceeds for the period ended September 30, 2020.

Management has determined that the issuance of this subregulatory guidance is a non-recognized Type 2 subsequent event that does not provide additional information about the facts and circumstances that existed as of September 30, 2020. As a Type 2, subsequent event, the Authority has not changed its methodology for recognizing revenue during the year ended September 30, 2020, which was predicated on the guidance that was available and in effect as of year-end.

2. Charity Care

The Authority has measured the costs of uncompensated charges classified as charity based on a ratio of total operating expenses (including depreciation and net of other operating revenue) to gross patient revenues. The level of charity care provided during the years ended September 30, 2020 and 2019 were as follows:

	2020	2019
Charges foregone, based on established rates	**$ 98,139,222**	$ 123,128,116
Estimated costs and expenses incurred to provide charity care	**$ 38,790,738**	$ 40,228,026

3. Net Patient Service Revenue

The composition of net patient service revenue for the year ended September 30, 2020 and 2019 is as follows:

	2020	2019
Gross patient service revenue	**$ 1,960,174,531**	$ 2,039,488,836
Contractual adjustments	**(1,308,809,719)**	(1,359,033,179)
Charity care	**(98,139,222)**	(123,128,116)
	553,225,590	557,327,541
Provision for bad debts	**(39,947,789)**	(28,969,260)
Net patient service revenue	**$ 513,277,801**	$ 528,358,281

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. 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. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's cost reports have been settled by the Medicare fiscal intermediary through September 30, 2014. Medicare reimbursement for outpatient services is under a prospective payment system called the Ambulatory Payment Classification System (“APCs”). Prospective payment rates are established for each group of services provided in hospital outpatient departments for the diagnosis or treatment of beneficiaries. This system categorizes payments according to clinical diagnosis and resource use. Adjustments from finalization of prior year cost reports and other third-party settlement estimates resulted in an increase in net patient service revenue of approximately $1,175,000 and $4,947,000 for the years ended September 30, 2020 and 2019, respectively.

Medicaid – Inpatient services rendered to Medicaid beneficiaries are reimbursed at prospectively determined rates per day of hospitalization. Outpatient services are reimbursed based on an established fee schedule. The prospectively determined per diem rates are not subject to retroactive settlement.

Blue Cross — Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization and are not subject to retroactive settlement. Outpatient services rendered to Blue

Cross subscribers are reimbursed at predetermined rates based on Enhanced Ambulatory Patient Groups (EAPG) reimbursement methodology and are not subject to retroactive settlement.

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

The components of patient accounts receivable, net, at September 30 were as follows:

	2020	2019
Receivable from patients and their insurance carriers	**$ 154,162,379**	$ 118,996,048
Receivable from Medicare beneficiaries	**180,672,375**	136,480,339
Receivable from Medicaid beneficiaries	**65,646,115**	55,027,860
Total patient accounts receivable	**400,480,869**	310,504,247
Allowance for contractual adjustments	**(294,237,429)**	(222,347,059)
Allowance for uncollectable accounts	**(44,147,829)**	(26,855,555)
Net patient accounts receivable	**$ 62,095,611**	$ 61,301,633

4. Capital Assets, Net

A summary of capital assets as of and for the year ended September 30, 2020 is as follows:

	Balance at 10/1/19	**Total Additions**	**Total Deletions**	**Balance at 9/30/20**
Land	**$ 4,293,224**	**$ 1,806,075**	**$ -**	**$ 6,099,299**
Land improvements	**1,551,837**	**-**	**-**	**1,551,837**
Buildings and fixed equipment	**460,120,658**	**9,383,241**	**(369,357)**	**469,134,542**
Major movable equipment	**242,386,597**	**8,538,662**	**-**	**250,925,259**
Right of use assets	**-**	**2,392,308**	**-**	**2,392,308**
Leasehold improvements	**17,232,882**	**450,290**	**-**	**17,683,172**
	725,585,198	**22,570,576**	**(369,357)**	**747,786,417**
Construction in progress	**12,290,859**	**25,424,714**	**(5,845,377)**	**31,870,196**
Total capital assets	**737,876,056**	**47,995,290**	**(6,214,734)**	**779,656,613**
Accumulated depreciation and amortization	**(447,336,532)**	**(31,574,652)**	**-**	**(478,911,184)**
Capital assets, net	**$ 290,539,524**	**$ 16,420,638**	**$ (6,214,734)**	**$300,745,429**

A summary of capital assets as of and for the year ended September 30, 2019 is as follows:

	Balance at 10/1/18	Total Additions	Total Deletions	Balance at 9/30/19
Land	$ 4,293,224	$ -	$ -	$ 4,293,224
Land improvements	1,551,837	-	-	1,551,837
Buildings and fixed equipment	439,635,559	20,536,361	(51,262)	460,120,658
Major movable equipment	223,884,596	18,688,235	(186,234)	242,386,597
Leasehold improvements	17,087,392	145,490	-	17,232,882
	686,452,608	39,370,086	(237,496)	725,585,198
Construction in progress	13,803,574	19,947,972	(21,460,688)	12,290,858
Total capital assets	700,256,182	59,318,058	(21,698,184)	737,876,056
Accumulated depreciation and amortization	(415,935,015)	(31,494,508)	92,991	(447,336,532)
Capital assets, net	$ 284,321,167	$ 27,823,550	$ (21,605,193)	$ 290,539,524

Construction in progress comprises construction and development costs during the construction period and is valued at cost. Depreciation is not recorded until construction is substantially complete and the assets are ready for productive use. As of September 30, 2020, construction in progress consists primarily of hospital renovations and software conversion costs. Estimated future commitment for capital expenditures related to construction in progress activity as of September 30, 2020, is approximately $21,665,000. The source of funding for these projects will be a combination of funding from operations and financing.

5. Investments

As discussed in Note 1, the Authority's investments generally are carried at fair value. At September 30, 2020 and 2019 the Authority had the following investments and maturities, all of which were held in accounts in the Authority's name by a custodial trust company or brokerage firm.

Assets whose use is limited or restricted

The composition of assets whose use is limited at September 30 is set forth in the following table.

	2020	2019
By board for funded depreciation:		
Cash and short-term investments	$ 69,906	$ 299,620
Obligations of state and political subdivisions	1,559,776	3,479,553
Corporate bonds	76,531,466	71,306,769
	78,161,148	75,085,942
By board for employee benefit plans:		
Cash and short-term investments	741,320	785,204
Common stock	634,269	1,449,317
Mutual funds	5,042,408	4,395,335
Federal and federal agency securities	185,014	186,376
Mortgage backed securities	275,052	228,419
Corporate bonds	540,252	422,900
	7,418,315	7,467,551
Funds held in escrow – held by escrow agent:		
Cash held for capital projects	17,167,215	31,090,255
Under bond indenture agreement – held by trustee:		
U.S. treasury funds	18	6,929
Capital project funds	2,209	4,033,881
	2,227	4,040,810
Total	$ 102,748,905	$ 117,684,558

The Authority's investments in debt securities are classified as available-for-sale and presented at fair value. At September 30, 2020 and 2019, investments in debt securities classified as available-for-sale were included in net position categories as follows:

	2020	2019
Assets whose use is limited or restricted	$ 79,091,561	$ 75,624,018
Investments – other	115,909,173	109,972,543
Total debt securities available-for-sale	$ 195,000,734	$ 185,596,561

At September 30, 2020 investments in debt securities classified as available-for-sale mature as follows:

	Within One Year	1 – 5 Years	5 – 10 Years	> 10 Years
Assets whose use is limited or restricted:				
Federal and federal agency securities	$ -	$ 55,070	$ 10,918	$ 119,025
Obligations of state and political subdivisions	417,507	1,142,269	-	-
Mortgage backed securities	-	-	57,514	217,538
Corporate obligations	12,925,080	63,840,879	182,694	123,067
	13,342,587	65,038,218	251,126	459,630
Investments – other:				
Obligations of state and political subdivisions	1,917,909	728,927	-	-
Corporate obligations	39,571,595	73,690,742	-	-
	41,489,504	74,419,669	-	-
Total	$ 54,832,091	$ 139,457,887	$ 251,126	$ 459,630

At September 30, 2019 investments in debt securities classified as available-for-sale mature as follows:

	Within One Year	1 – 5 Years	5 – 10 Years	> 10 Years
Assets whose use is limited or restricted:				
Federal and federal agency securities	$ -	$ 12,046	$ 42,716	$ 131,615
Obligations of state and political subdivisions	3,064,178	415,375	-	-
Mortgage backed securities	-	1,249	51,073	176,098
Corporate obligations	20,190,652	51,354,079	130,703	54,234
	23,254,830	51,782,749	224,492	361,947
Investments – other:				
Obligations of state and political subdivisions	-	2,627,102	-	-
Corporate obligations	8,071,798	99,273,643	-	-
	8,071,798	101,900,745	-	-
Total	$ 31,326,628	$ 153,683,494	$ 224,492	$ 361,947

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy for Operating and Funded Depreciation Accounts limits investments to securities which have a stated maturity of five years or less.

Credit risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Current accounting guidance requires that information about the credit risk associated with investments be provided by disclosing the credit quality ratings of investment in debt securities. U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure. Cash balances protected by insurance programs also are not considered to have credit risk.

The Authority's policy for Operating and Funded Depreciation Accounts requires that investments be made only in:

- Certificates of deposit, commercial paper rated "A" or better, banker's acceptances or repurchase agreements.
- U.S. government or agency debt.
- Corporate debt securities rated "A" or better when purchased.
- Pooled funds that invest in any of the above.

All cash and short-term investments were covered by the Federal Depository Insurance Corporation (FDIC), the SAFE program (as described in Note 1) or the Securities Investor Protection Corporation (SIPC).

Assets restricted under Bond Indenture Agreements and held by Trustee are invested in U.S. Treasury Funds or Repurchase Agreements collateralized by U.S. Agency Securities.

A summary of Standard & Poor's (S & P) ratings for debt securities as of September 30, 2020 is as follows:

	Fair Value	S & P Rating
Obligations of state and political subdivisions	$ 2,577,016	AA
	728,927	A+
	900,669	A
Mortgage backed securities	153,661	AA
Corporate obligations	2,511,645	AA+
	4,027,305	AA
	15,303,431	AA-
	12,248,764	A+
	37,387,702	A
	47,312,959	A-
	45,849,209	BBB+
	12,048,616	BBB
	2,684,819	BBB-
	502,335	BB+
	10,763,676	Not Rated
Total	$ 195,000,734	

A summary of Standard & Poor's (S & P) ratings for debt securities as of September 30, 2019 is as follows:

	Fair Value	S & P Rating
Federal and federal agency securities	$ 186,376	AAA
Obligations of state and political subdivisions	3,479,553	AA
Mortgage backed securities	228,419	AA
Corporate obligations	2,536,831	AA+
	5,058,671	AA
	23,350,565	AA-
	14,422,313	A+
	44,274,138	A
	41,528,850	A-
	32,960,490	BBB+
	6,426,675	BBB
	999,915	BBB-
	3,506,259	BB-
	6,637,506	Not Rated
Total	$ 185,596,561	

Custodial credit risk

For an investment, this is the risk that, in the event of the failure of the custodian, the investments securities may not be returned. Investment securities are registered in the Authority's name by the custodial entity as an agent and are protected under the SAFE program or insured by the FDIC. As a result, custodial credit risk is remote.

Concentrations of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. Under the Authority's investment policy, no more than 5% of the portfolio may be invested in the securities of any single issuer, excluding U.S. Treasury or Agency Obligations.

Investment income

Investment income is comprised of the following for the years ended September 30, 2020 and 2019:

	2020	2019
Interest income	**$ 6,028,051**	$ 5,448,639
Net realized and unrealized gains (losses) on securities	**2,783,961**	4,342,051
	$ 8,812,012	$ 9,790,690

The composition of Investments - other at September 30, 2020 and 2019 is set forth in the following table:

	2020	2019
Cash and cash equivalents	**$ 250,606**	$ 55,321
Corporate bonds	**115,909,173**	109,972,543
Certificates of deposit	**2,500,000**	4,510,060
Total	**$ 118,659,779**	$ 114,537,924

6. Pension Plans and Other Postemployment Benefits

DCH Healthcare Authority Pension Plan

Plan description

The Authority sponsors and serves as the plan administrator for DCH Healthcare Authority Pension Plan ("DCH Plan"), a noncontributory single-employer trusteed defined benefit pension plan covering all eligible employees of DCH Regional Medical Center who are age 21 or over with a minimum of one year of service as defined in the DCH Plan. The DCH Plan was originally established effective January 1, 1963. The authority under which benefit provisions are established or may be amended rests with the Authority.

Normal retirement date is the first day of the month coincident with or next following attainment of age sixty-five.

The amount of annual benefit to be paid in monthly installments for life, based on service to termination date, is the sum of:

1. One percent of the participant's average compensation up to covered compensation for each year of credited service not exceeding 40.

2. One and one-half percent of such average compensation in excess of covered compensation for each year of credited service not exceeding 40.

3. One and one-half percent of the participant's average compensation for each year of credited service in excess of 40.

A participant may continue in the employment of the Employer after their normal retirement date. In such event the participant will receive at actual retirement the greater of the benefit calculated based on service and compensation at the delayed retirement date and the benefit which is the actuarial equivalent of the normal retirement benefit.

Upon the completion of the necessary years of employment and the attainment of a retirement age as defined in the DCH Plan, a participant may elect to retire. The participant may begin receiving a monthly benefit for life as specified by the DCH Plan.

Effective January 1, 2015, the DCH Plan was amended to freeze benefits and new entry with respect to the traditional retirement benefits as described above. Vested benefits accrued will remain payable to participants upon retirement. Additionally, the DCH Plan added a cash balance design whereby the Authority will make annual contributions to participant accounts based on their years of service, plus a fixed annual 4% interest rate credit compounded monthly. Participants earn a year of service for each calendar year with at least 1,000 hours beginning January 1, 2015. The annual contributions to participant accounts as a percent of pay based on years of service are 1.5% for 0-4 years, 2.0% for 5-9 years, 2.5% for 10-14 years, and 3.0% for 15+ years.

The Authority issues a publicly available financial report that includes financial statements and required supplementary information for the DCH Plan. That report may be obtained by writing to The DCH Health Care Authority, 809 University Boulevard, Tuscaloosa, Alabama 35401. The DCH Plan's fiduciary net position has been determined on the same basis used by the DCH Plan in the DCH Plan financial statements. The DCH Plan utilizes the accrual basis of accounting, recognizing employer contributions when due and benefit payments when payable in accordance with the terms of the DCH Plan. Investments are reported at fair value in conjunction with GASB 72.

Investment policy

DCH Plan's policy regarding the allocation of invested assets is established and may be amended by the Pension Committee who has been delegated the responsibility by the Authority. It is the policy of the Pension Committee to pursue an investment strategy that emphasizes total return. Each segregated investment fund should be managed to optimize the long-term inflation-adjusted investment returns given that fund's investment constraints. It is the investment goal of the Pension Committee to provide funding for the operation and support of the DCH Plan, maintain purchasing power, prudently appreciate capital to provide additional funding for future operation and support, pay all investment expenses of the DCH Plan out of earnings, minimize risk, preserve capital, achieve a competitive rate of return and achieve a rate of return over time that will allow for an appreciation of the Investment Asset's value of excess of inflation and the annual required distribution amount.

DCH Plan's asset allocation policy is as follows:

Asset Class	Target Allocation
U.S. Equities	60%
Fixed Income	30%
Real Estate	5%
Commodities	5%
Total	100%

Since different asset classes will perform at different rates, the Pension Committee will monitor the asset allocation shifts resulting from performance. When allocations exceed their target allocations, rebalancing may occur. The portfolio will be analyzed on a quarterly basis and will be re-allocated as required. To the extent that adequate re-balancing among asset categories cannot be affected via the allocation of contributions/distributions, the Pension Committee may redirect monies from one manager to another.

Funding policy

The authority under which the obligations to contribute to the DCH Plan are established and may be amended rests with the Authority. The Authority makes the recommended contribution as determined by the DCH Plan actuaries in their annual valuation report.

Employees covered

Employee membership data related to the DCH Plan as of January 1, 2019 and 2018, the valuation dates, were as follows:

	2019	2018
Inactive plan participants as January 1:		
Retirees and beneficiaries currently received benefits	1,529	1,456
Terminated vested	1,886	1,754
Active plan participants as of January 1:		
Vested	3,332	3,406
	6,747	6,616

Actuarial assumptions

The total pension liability was measured as of September 30, 2019 using an actuarial valuation as of January 1, 2019 using the following assumptions, applied to all periods included in the measurement:

Cost Method — Entry Age Normal, as required by GASB Statements No. 67 and 68.

Investment return of 7.75%.

Mortality rates — RP 2000 Combined Mortality Table, projected to 2026 without collar adjustment.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net pension liability

At September 30, 2020 and 2019 the Authority reported a net pension liability for the DCH Plan. The net pension liability for 2020 and 2019 was measured as of September 30, 2019 and 2018, and rolled forward to their respective measurement dates.

Changes in the Authority's DCH Plan net pension liability for the year ended September 30, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at September 30, 2019	**$292,777,712**	**$220,307,140**	**$ 72,470,572**
Service costs	**3,169,055**	-	**3,169,055**
Interest	**21,724,510**	**-**	**21,724,510**
Difference between expected and actual experience	**1,552,081**	**-**	**1,552,081**
Changes in assumptions	**349,542**	**-**	**349,542**
Contributions – employer	-	**9,385,674**	**(9,385,674)**
Net investment income	-	**11,938,196**	**(11,938,196)**
Benefits payments, including refunds of member contributions	**(28,808,105)**	**(28,808,105)**	**-**
Administrative expenses	-	**(646,581)**	**646,581**
Net change	**(2,012,917)**	**(8,130,816)**	**6,117,899**
Balances at September 30, 2020	**$290,764,795**	**$212,176,324**	**$ 78,588,471**

Changes in the Authority's DCH Plan net pension liability for the year ended September 30, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at September 30, 2018	$288,250,523	$216,982,206	$ 71,268,317
Service costs	3,145,148	-	3,145,148
Interest	21,398,981	-	21,398,981
Difference between expected and actual experience	4,478,940	-	4,478,940
Changes in assumptions	(1,026,522)	-	(1,026,522)
Contributions – employer	-	9,208,478	(9,208,478)
Net investment income	-	18,214,795	(18,214,795)
Benefits payments, including refunds of member contributions	(23,469,358)	(23,469,358)	-
Administrative expenses	-	(628,981)	628,981
Net change	4,527,189	3,324,934	1,202,255
Balances at September 30, 2019	$292,777,712	$220,307,140	$ 72,470,572

Pension expense and deferred outflows and deferred inflows of resources related to pensions

For the year ended September 30, 2020 and 2019 the Authority recognized pension expense of $13,879,327 and $12,558,738, respectively, for the DCH Plan. In addition, the Authority reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
September 30, 2020		
Contributions made after measurement date	**$ 9,654,292**	**$ -**
Difference between projected and actual experience	**6,454,493**	**80,668**
Difference due to change in assumptions	**752,447**	**789,946**
Net difference between projected and actual earnings	**-**	**1,181,554**
	$ 16,861,232	**$ 2,052,168**

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
September 30, 2019		
Contributions made after measurement date	$ 9,385,673	$ -
Difference between projected and actual experience	8,144,899	238,842
Difference due to change in assumptions	749,332	1,243,985
Net difference between projected and actual earnings	-	3,880,878
	$ 18,279,904	$ 5,363,705

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2020 will be recognized in pension expense as follows:

	Increase (Decrease)
2021	$ 10,795,447
2022	$ 1,683,699
2023	$ 1,291,523
2024	$ 1,038,395
Thereafter	$ -

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Authority's net pension liability for the DCH Plan calculated using the discount rate of 7.75%, as well as what the Authority's net pension liability for the DCH Plan would be if it were calculated using a discount rate one percentage lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	2020	2019
Net pension liability – 1% decrease in discount rate	**$ 104,543,802**	$ 98,382,976
Net pension liability – current discount rate	**$ 78,588,471**	$ 72,470,572
Net pension liability – 1% increase in discount rate	**$ 56,237,085**	$ 50,159,901

Actuarial cost method

Under the entry age normal cost method, benefits are projected to retirement (or earlier termination) for each plan participant based upon the assumptions as to future compensation increases. The annual normal cost is determined as a level percentage of pay necessary to fund a participant's benefits over the entire period of active participation in the plan. The actuarial accrued liability is the excess of the present value of future benefits over the present value of future normal costs.

The normal cost and the actuarial accrued liability of the plan is the sum of the corresponding amounts for each participant. Under GASB No. 67 and 68 the actuarial accrued liability is called the total pension liability.

Deviations in actual experience from the experience anticipated by the actuarial assumptions result in actuarial gains or losses which reduce or increase, respectively, the total pension liability. Each year's deviation will be amortized over the average future working lifetime of all participants for purposes of calculating the DCH Plan's pension cost.

All employees who are plan participants on the valuation date are included in the actuarial valuation.

Fayette Medical Center Pension Plan

The Authority sponsors and serves as the plan administrator for Fayette Medical Center Pension Plan (“Fayette Plan”), a noncontributory single-employer trusteed defined benefit pension plan covering all employees of Fayette Medical Center who work at least 1,000 hours per year after attaining the age of 21 or completing one year of service, whichever is later. The Fayette Plan was originally established effective December 1, 1971.

Normal retirement date is the first day of the month coincident with or next following attainment of age sixty-five.

Effective January 1, 2002, the amount of annual benefit to be paid in monthly installments for life, based on service to termination date, is the sum of:

1. One percent of the participant's average compensation up to covered compensation for each year of credited service not exceeding 40.

2. One and one-half percent of such average compensation in excess of covered compensation for each year of credited service not exceeding 40.

3. One and one-half percent of the participant's average compensation for each year of credited service in excess of 40.

Upon the completion of the necessary years of employment and the attainment of a retirement age as defined in the Fayette Plan, a participant may elect to retire. The participant may begin receiving a monthly benefit for life as specified by the Fayette Plan.

Effective January 1, 2015, the Fayette Plan was amended to freeze benefits and new entry with respect to the traditional retirement benefits as described above. Vested benefits accrued will remain payable to participants upon retirement. Additionally, the Fayette Plan added a cash balance design whereby the Authority will make annual contributions to participant accounts based on their years of service, plus a fixed annual 4% interest rate credit compounded monthly. Participants earn a year of service for each calendar year with at least 1,000 hours beginning January 1, 2015. The annual contributions to participant accounts as a percent of pay based on years of service are 1.5% for 0-4 years, 2.0% for 5-9 years, 2.5% for 10-14 years, and 3.0% for 15+ years.

The Authority issues a publicly available financial report that includes financial statements and required supplementary information for the Fayette Plan. That report may be obtained by writing to The DCH Health Care Authority, 809 University Boulevard, Tuscaloosa, Alabama 35401. The Fayette Plan's fiduciary net position has been determined on the same basis used by the Fayette Plan in the Fayette Plan financial statements. The Fayette Plan utilizes the accrual basis of accounting, recognizing employer contributions when due and benefit payments when payable in accordance with the terms of the Fayette Plan. Investments are reported at fair value in conjunction with GASB 72.

<u>Investment policy</u>

The Fayette Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee who has been delegated the responsibility by the Authority. It is the policy of the Pension Committee to pursue an investment strategy that emphasizes total return. Each segregated investment fund should be managed to optimize the long-term inflation-adjusted investment returns given that fund's investment constraints. It is the investment goal of the Pension Committee to provide funding for the operation and support of the Fayette Plan, maintain purchasing power, prudently appreciate capital to provide additional funding for future operation and support, pay all investment expenses of the Fayette Plan out of earnings, minimize risk, preserve capital, achieve a competitive rate of return and achieve a rate of return over time that will allow for an appreciation of the Investment Asset's value of excess of inflation and the annual required distribution amount.

The Fayette Plan's asset allocation policy is as follows:

Asset Class	Target Allocation
U.S. Equities	60%
Fixed Income	30%
Real Estate	5%
Commodities	5%
Total	100%

Since different asset classes will perform at different rates, the Pension Committee will monitor the asset allocation shifts resulting from performance. When allocations exceed their target allocations, rebalancing may occur. The portfolio will be analyzed on a quarterly basis and will be re-allocated as required. To the extent that adequate re-balancing among asset categories cannot be affected via the allocation of contributions/distributions, the Pension Committee may redirect monies from one manager to another.

Funding policy

The authority under which the obligations to contribute to the Fayette Plan are established or may be amended rests with the Authority. Fayette Medical Center makes the recommended contribution as determined by the Fayette Plan actuaries in their annual valuation report.

Employees covered

Employee membership data related to the Fayette Plan as of January 1, 2019 and 2018, the valuation dates, were as follows:

	2019	2018
Inactive plan participants as January 1:		
Retirees and beneficiaries currently received benefits	**122**	122
Terminated vested	**189**	185
Active plan participants as of January 1:		
Vested	**218**	228
	529	535

Actuarial assumptions

The total pension liability was measured as of September 30, 2019 using an actuarial valuation as of January 1, 2019 using the following assumptions, applied to all periods included in the measurement:

Cost Method — Entry Age Normal, as required by GASB Statements No. 67 and 68.

Investment return of 7.75%.

Mortality rates — RP 2000 Combined Mortality Table, projected to 2026 without collar adjustment.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net pension liability

At September 30, 2020 and 2019 the Authority reported a net pension liability for the DCH Plan. The net pension liability for 2020 and 2019 was measured as of September 30, 2019 and 2018 and rolled forward to their respective measurement dates.

Changes in the Authority's Fayette Plan net pension liability for the year ended September 30, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2019	$ 15,162,229	$ 12,021,006	$ 3,141,223
Service costs	187,431	-	187,431
Interest	1,132,476	-	1,132,476
Difference between expected and actual experience	57,307	-	57,307
Changes in assumptions	17,352	-	17,352
Contributions – employer	-	448,052	(448,052)
Net investment income	-	748,095	(748,095)
Benefits payments, including refunds of member contributions	(1,151,436)	(1,151,436)	-
Administrative expenses	-	(44,704)	44,704
Net change	243,130	7	243,123
Balances at September 30, 2020	$ 15,405,359	$ 12,021,013	$ 3,384,346

Changes in the Authority's Fayette Plan net pension liability for the year ended September 30, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at September 30, 2018	$ 15,186,467	$ 11,689,096	$ 3,497,371
Service costs	193,311	-	193,311
Interest	1,132,475	-	1,132,475
Difference between expected and actual experience	(176,101)	-	(176,101)
Changes in assumptions	(53,437)	-	(53,437)
Contributions – employer	-	462,342	(462,342)
Net investment income	-	1,027,517	(1,027,517)
Benefits payments, including refunds of member contributions	(1,120,486)	(1,120,486)	-
Administrative expenses	-	(37,463)	37,463
Net change	(24,238)	331,910	(356,148)
Balances at September 30, 2019	$ 15,162,229	$ 12,021,006	$ 3,141,223

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the years ended September 30, 2020 and 2019 the Authority recognized pension expense of $681,119 and $705,305, respectively, for the Fayette Plan. In addition, the Authority reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
September 30, 2020		
Contributions made after measurement date	**$ 468,850**	**$ -**
Difference between projected and actual experience	**107,316**	**92,000**
Difference due to change in assumptions	**36,321**	**31,935**
Net difference between projected and actual earnings	**-**	**114,626**
	$ 612,487	**$ 238,561**

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
September 30, 2019		
Contributions made after measurement date	$ 448,052	$ -
Difference between projected and actual experience	164,137	137,311
Difference due to change in assumptions	41,534	56,346
Net difference between projected and actual earnings	-	116,994
	$ 653,723	$ 310,651

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2020 will be recognized in pension expense as follows:

		Increase (Decrease)
2021	$	411,093
2022	$	(70,525)
2023	$	5,550
2024	$	27,808

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Authority's net pension liability for the Fayette Plan calculated using the discount rate of 7.75%, as well as what the Authority's net pension liability for the Fayette Plan would be if it were calculated using a discount rate one percentage lower (6.75%) or one percentage point higher (8.75%) than the current rate:

		2020		2019
Net pension liability – 1% decrease in discount rate	**$**	**4,808,336**	$	4,579,643
Net pension liability – current discount rate	**$**	**3,384,346**	$	3,141,223
Net pension liability – 1% increase in discount rate	**$**	**2,159,993**	$	1,905,268

Actuarial cost method

Under the entry age normal cost method, benefits are projected to retirement (or earlier termination) for each plan participant based upon the assumptions as to future compensation increases. The annual normal cost is determined as a level percentage of pay necessary to fund a participant's benefits over the entire period of active participation in the plan. The actuarial accrued liability is the excess of the present value of future benefits over the present value of future normal costs.

The normal cost and the actuarial accrued liability of the plan is the sum of the corresponding amounts for each participant. Under GASB No. 67 and 68 the actuarial accrued liability is called the total pension liability.

Deviations in actual experience from the experience anticipated by the actuarial assumptions result in actuarial gains or losses which reduce or increase, respectively, the total pension liability. Each year's deviation will be amortized over the average future working lifetime of all participants for purposes of calculating the Fayette Plan's pension cost.

All employees who are plan participants on the valuation date are included in the actuarial valuation.

DCH Benefit Restoration Plan

Plan description

The Authority sponsors and serves as the plan administrator for the DCH Healthcare Authority Benefit Restoration Plan ("Benefit Restoration Plan"), a single-employer non-trusteed noncontributory defined benefit pension plan covering certain members of management of the Authority. The Benefit Restoration Plan provides benefits based on the provisions of the DCH Plan without regard to the limitations under the Internal Revenue Code plus a gross-up for taxes and less the benefits payable under the DCH Plan and the Fayette Plan. Benefits from the Benefit Restoration Plan are generally payable as lump sums, based on the assumptions used in the most recent actuarial valuation of the DCH Plan.

Funding policy

The authority under which the obligations to contribute to the Benefit Restoration Plan are established or may be amended rests with the Authority. The Authority makes the recommended contribution as determined by the Benefit Restoration Plan actuaries in their annual valuation report. There were no contributions for the fiscal years ending September 30, 2020 and 2019.

Employees covered

	2020	2019
Active plan participants as of September 30:		
Vested	8	8

Actuarial assumptions

The total pension liability was measured as of September 30, 2019 using an actuarial valuation as of January 1, 2019 using the following assumptions, applied to all periods included in the measurement:

Cost Method — Entry Age Normal

Mortality rates — RP 2000 Combined Mortality Table, projected to 2026 without collar adjustment

Discount Rate

As the Benefit Restoration Plan does not have assets in trust, the discount rate is based upon the S&P Municipal Bond 20 Year High Grade Index rate of 3.58%.

Net pension liability

At September 30, 2020, the Authority reported a net pension liability for the Benefit Restoration Plan. The net pension liability was measured at September 30, 2019, and the total pension liability used to calculate the net pension liability was rolled forward to the measurement date.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2019	$ 5,033,631	$ -	$ 5,033,631
Service costs	70,182	-	70,182
Interest	183,224	-	183,224
Benefit payments	-	-	-
Contributions - employer	-	-	-
Difference between expected and actual experience	(230,997)	-	(230,997)
Changes in assumptions	21,883	-	21,883
Net change	44,292	-	44,292
Balances at September 30, 2020	$ 5,077,923	$ -	$ 5,077,923

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2018	$ 6,120,481	$ -	$ 6,120,481
Service costs	70,766	-	70,766
Interest	205,036	-	205,036
Benefit payments	(825,892)	(825,892)	-
Contributions - employer	-	825,892	(825,892)
Difference between expected and actual experience	(503,487)	-	(503,487)
Changes in assumptions	(33,273)	-	(33,273)
Net change	(1,086,850)	-	(1,086,850)
Balances at September 30, 2019	$ 5,033,631	$ -	$ 5,033,631

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the years ended September 30, 2020 and 2019 the Authority recognized a pension expense of $106,243 and $164,324, respectively for the DCH Healthcare Authority Benefit Restoration Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources for the Plan from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
September 30, 2020		
Contributions made after measurement date	**$ -**	**$ -**
Difference between projected and actual experience	**43,249**	**741,000**
Difference due to change in assumptions	**120,251**	**99,273**
	$ 163,500	**$ 840,273**

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
September 30, 2019		
Contributions made after measurement date	$ -	$ -
Difference between projected and actual experience	95,357	729,243
Difference due to change in assumptions	159,677	144,613
	$ 255,034	$ 873,856

Amounts reported in deferred outflows of resources and deferred inflows of resources related to the plan as of September 30, 2020 will be recognized in pension expense as follows:

		Increase (Decrease)
2021	$	(160,844)
2022	$	(197,086)
2023	$	(115,679)
2024	$	(115,679)
2025	$	(87,485)

Actuarial cost method

Under the entry age normal cost method, benefits are projected to retirement (or earlier termination) for each plan participant based upon the assumptions as to future compensation increases. The annual normal cost is determined as a level percentage of pay necessary to fund a participant's benefits over the entire period of active participation in the plan. The actuarial accrued liability is the excess of the present value of future benefits over the present value of future normal costs.

The normal cost and the actuarial accrued liability of the plan is the sum of the corresponding amounts for each participant. Under GASB No. 73 the actuarial accrued liability is called the total pension liability.

Deviations in actual experience from the experience anticipated by the actuarial assumptions result in actuarial gains or losses which reduce or increase, respectively, the total pension liability. Each year's deviation will be amortized over the average future working lifetime of all participants for purposes of calculating the Plan's pension cost.

All employees who are plan participants on the valuation date are included in the actuarial valuation.

Tax sheltered annuity

The Authority also sponsors and serves as plan administrator for the DCH TSA Supplemental Retirement Plan (“Supplemental Retirement Plan”), a defined contribution plan covering all employees of DCH Regional Medical Center and Fayette Medical Center. The Supplemental Retirement Plan allows employees to contribute pre-tax earnings up to limits specified by the Internal Revenue Service. Employees become eligible for employer matching contribution after reaching age 21 and having two years of service with at least 1,000 hours worked in each year. Employees are 100% vested immediately in employee contributions and employer matching contributions. Employer matching contributions to the plan are discretionary. The authority under which benefit provisions are established or may be amended rests with the Authority.

For the fiscal years ended September 30, 2020 and 2019, employer expense was $2,521,896 and $2,506,079, respectively. Employee contributions for the fiscal years ended September 30, 2020 and 2019 were approximately $7,835,649 and $8,088,000, respectively.

The liability for employer matching contributions as of September 30, 2020 and 2019 was $2,019,739 and $1,873,610, respectively.

Postemployment benefits other than pensions

Plan description

The Authority sponsors and serves as the plan administrator for the DCH Health System Postretirement Benefit Plan ("OPEB"), a single-employer plan which provides postretirement health insurance at the same rates as active employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

To be eligible, employees must:

1. Be retired, retirement eligible, or have at least 20 years of credited service, all as of January 1, 2008;

2. Retire from an Authority defined benefit pension plan (for those hired before January 1, 2008, retirement eligibility for the defined benefit pension plan is the earlier of age 50 with age plus service totaling at least 80 or age 60 with 10 years of service); and

3. Elect medical coverage for at least 24 consecutive months immediately prior to retirement.

Benefits provided

The OPEB provides healthcare insurance benefits for eligible retired and disabled participants and their dependents. The benefit terms provide the same benefits as active employees. Retirees and disabled participants pay the same premium rates as active employees. Premiums collected from participants reduce the annual employer benefit payments. The OPEB is frozen to new entrants.

Employees covered by benefit terms

Employee membership data related to the OPEB as of January 1, 2019 and 2018, the valuation dates, were as follows:

	2019	2018
Inactive plan participants as January 1:		
Retirees and beneficiaries currently received benefits	**251**	260
Active plan participants as of January 1:		
Vested	**88**	115
	339	375

Total OPEB Liability

The Authority's total OPEB liability of $4,827,870 and $7,475,407 was measured as of September 30, 2019 and 2018, respectively, and was determined by an actuarial valuation as of January 1, 2019 and 2018.

Actuarial assumptions and other inputs

The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method

Although, in most instances, the employer does not pay for retiree health benefits until after an employee has retired, the total anticipated cost of such postretirement benefits must be recognized during the employee's working years, in accordance with the Governmental Accounting Standards Board Statements 74 and 75 (GASB 74 and 75). In accordance with GASB 74 and 75, Normal Cost is determined under the Individual Entry Age Cost Method. For each active employee, the discounted present value of all future postretirement benefits is determined using the assumptions noted below. This amount is divided into "n" equal parts, where "n" is the number of years between an employee's hire date and the date he is fully eligible for retirement; the amount of each of the equal parts is the Normal Cost portion of the annual required contribution. The Normal Costs for years before the valuation are summed and called the accumulated postretirement benefit obligation (APBO). All eligible employees who are plan participants on the valuation census date, which is the first day of the plan year, are included in the actuarial valuation.

Asset Valuation Method

There are no assets attributable to the plan.

Actuarial Assumptions

Expected Long-term Rate of Return	N/A
Single Equivalent Discount Rate	3.58%
Pre- and Post- Retirement Mortality	RP-2000 Combined Mortality Table, projected with Scale AA to 2026 without collar adjustment (previously, RP-2000 Combined Mortality Table, projected to 2025 without collar adjustment.)
Health Care Cost Trends	6.50 percent for 2020, decreasing 0.25 percent per year to an ultimate rate of 5.0 percent for 2026 and later years
Retiree Contributions	Increases are assumed at the same rates as increase in per capita claims

Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) – (b)**
Balances at September 30, 2019	**$ 7,475,407**	**$ -**	**$ 7,475,407**
Service costs	**8,827**	**-**	**8,917**
Interest	**250,761**	**-**	**250,761**
Differences between expected and actual experience	**(522,460)**	**-**	**(522,460)**
Changes in assumptions	**(1,463,098)**	**-**	**(1,463,098)**
Contributions – employer	**-**	**921,657**	**(921,657)**
Benefit payments	**(921,567)**	**(921,567)**	**-**
Net change	**(2,647,537)**	**-**	**(2,647,537)**
Balances at September 30, 2020	**$ 4,827,870**	**$ -**	**$ 4,827,870**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at September 30, 2018	$ 7,591,192	$ -	$ 7,591,192
Service costs	13,280	-	13,280
Interest	236,517	-	236,517
Differences between expected and actual experience	43,740	-	43,740
Changes in assumptions	551,775		551,775
Contributions – employer	-	961,097	(961,097)
Benefit payments	(961,097)	(961,097)	-
Net change	(115,785)	-	(115,785)
Balances at September 30, 2019	$ 7,475,407	$ -	$ 7,475,407

Changes of assumptions and other inputs reflect a change in the discount rate from 3.64% in 2019 to 3.58% in 2020.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	2020	2019
Total OPEB liability – 1% decrease in discount rate	**$ 5,006,073**	$ 7,776,617
Total OPEB liability – current discount rate	**$ 4,827,870**	$ 7,475,407
Total OPEB liability – 1% increase in discount rate	**$ 4,659,706**	$ 7,192,071

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

Sensitivity	Discount Rate	Total OPEB Liability
Current trend rates	7.5% - 5.0%	$ 4,827,870
Total OPEB Liability – 1 % decrease in trend rates	6.5% - 4.0%	$ 4,647,623
Total OPEB Liability – 1% increase in trend rates	8.5% - 6.0%	$ 5,016,974

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Authority recognized OPEB income of $1,719,984 due to a change in actuarial assumptions. At September 30, 2020 the Authority had no deferred outflows of resources and deferred inflows of resources related to the OPEB.

For the year ended September 30, 2019, the Authority recognized OPEB expense of $797,112. At September 30, 2019 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	$ 433	$ -
Contributions made after measurement date	791,870	-
Difference due to change in assumptions	5,463	-
	$ 797,766	$ -

7. Long-Term Debt

The following summarizes activity in long-term debt for the year ended September 30, 2020:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/20	Amount Due Within One Year
Series 2010 Bonds with interest payable June 1 and December 1 at 2.76%, maturity date is 6/1/2021	$ 3,200,000	$ -	$ (1,465,000)	$ 1,735,000	$ 1,735,000
Series 2015 Serial Bonds with interest payable June 1 and December 1 at rates ranging from 3% to 5% and maturity dates ranging from 6/1/2025 through 6/1/2036	28,095,000	-	-	28,095,000	-
Series 2016 Bonds with interest payable monthly at a rate equal to 67% of one month LIBOR Index rate plus a spread, maturity date is 6/1/2020	3,805,000	-	(3,805,000)	-	-
Series 2019 Bonds with interest payable June 1 and December 1 at 2.70%, maturity date is 6/1/2031	35,350,000	-	(1,025,000)	34,325,000	1,055,000
Banc of America Public Capital corp lease with interest payable June 1 and December 1 at 3.31%, and maturity dates ranging from 6/1/2021 through 6/1/2031	34,750,000	-	-	34,750,000	952,607
Roche Capital Lease Arrangement with an imputed interest at 2.14%, maturity date is July 2027	-	2,392,308	(70,401)	2,321,907	312,173
Unamortized premium on Revenue Bonds	718,294		(43,097)	675,197	-
Total	$105,918,294	$ 2,392,308	$ (6,408,498)	$101,902,104	$ 4,054,780

The following summarizes activity in long-term debt for the year ended September 30, 2019:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/19	Amount Due Within One Year
Series 2010 Bonds with interest payable June 1 and December 1 at 2.76%, maturity date is 6/1/2021	$ 4,590,000	$ -	$ (1,390,000)	$ 3,200,000	$ 1,465,000
Series 2012-B Bonds with interest payable June 1 and December 1 at 1.90%, maturity date is 6/1/2019	9,725,000	-	(9,725,000)	-	-
Series 2015 Serial Bonds with interest payable June 1 and December 1 at rates ranging from 3% to 5% and maturity dates ranging from 6/1/2025 through 6/1/2036	28,095,000	-	-	28,095,000	-
Series 2016 Bonds with interest payable monthly at a rate equal to 67% of one month LIBOR Index rate plus a spread, maturity date is 6/1/2020	25,325,000	-	(21,520,000)	3,805,000	3,805,000
Series 2019 Bonds with interest payable June 1 and December 1 at 2.70%, maturity date is 6/1/2031	-	35,350,000	-	35,350,000	1,025,000
Banc of America Public Capital Corp Lease with interest payable June 1 and December 1 at 3.31%, and maturity dates ranging from 6/1/2021 through 6/1/2031	-	34,750,000	-	34,750,000	-
Unamortized premium on Revenue Bonds	761,391	-	(43,097)	718,294	-
Total	$ 68,496,391	$ 70,100,000	$(32,678,097)	$105,918,294	$ 6,295,000

Debt service requirements of the Authority's long-term debt and capital leases at September 30, 2020 are as follows:

	Principal	Interest	Total
2021	$ 4,054,780	$ 3,367,741	$ 7,422,521
2022	5,308,639	3,196,495	8,505,134
2023-2027	34,898,070	13,185,615	48,083,685
2028-2032	46,025,418	6,760,116	52,785,534
2033-2036	10,940,000	1,258,950	12,198,950
	$101,226,907	$ 27,768,917	$128,995,824

Long-term debt consists of the following:

Health Care Facilities Revenue Bonds – Series 2010

These bonds in the amount of $17,725,000 were issued on December 1, 2010 in order to provide funds to refund the Series 1998 Bonds. The bonds are secured by a pledge of revenues of The DCH Health Care Authority. Interest is payable each June 1 and December 1 at 2.76% with principal redemptions paid annually beginning June 1, 2011. The Bonds mature on June 1, 2021.

Health Care Facilities Revenue Bonds – Series 2012-B

These bonds in the amount of $36,595,000 were issued on June 13, 2012 in order to provide funds to refund the Series 2002 Bonds. The bonds are secured by a pledge of revenues of The DCH Health Care Authority. Interest is payable each June 1 and December 1 at 1.90% with principal redemptions paid annually beginning June 1, 2013. The bonds matured and were paid in full on June 1, 2019.

Health Care Facilities Revenue Bonds – Series 2015

These bonds in the amount of $28,095,000 were issued on August 12, 2015 in order to provide funds to refund the Series 2006 Bonds and to pay costs of issuance. The bonds are secured by a pledge of revenues of the Authority. Interest is payable each June 1 and December 1 at rates ranging from 3% to 5%. The bonds are serial bonds with maturity dates ranging from June 1, 2025 through June 1, 2036.

Health Care Facilities Revenue Bonds – Series 2016

These bonds in the amount of $25,325,000 were issued on July 14, 2016 in order to provide funds to refund the Series 2012 Bonds. The bonds are secured by a pledge of revenues of the Authority. Interest is payable monthly at a rate equal to 67% of the LIBOR Index Rate plus a spread, which was 1.94% at September 30, 2019. The bonds mature and become payable on June 1, 2020.

Health Care Facilities Revenue Bonds – Series 2019

These bonds in the amount of $35,350,000 were issued on June 11, 2019 in order to provide funds to refund the Series 2016 Bonds. The bonds are secured by a pledge of revenues of the Authority. Interest is payable each June 1 and December 1 at 2.70% with principal redemptions paid annually beginning June 1, 2020. The bonds mature on June 1, 2031.

Banc of America Capital Lease

During June 2019, the Authority entered into a lease purchase agreement with Banc of America Capital Leasing Corporation totaling $34,750,000, in order to provide funds for capital projects and software expansion. Expenditures will commence throughout the acquisition period from the commencement date through June 18, 2021, with the total balance outstanding subsequent to the acquisition period to be repaid monthly at an interest rate of 3.31% through the maturity date of June 18, 2029. The capital lease is secured by the equipment and items financed or to be purchased with the proceeds of this lease agreement.

Roche Capital Lease

During July 2019, the System entered into a multi-element lease arrangement with Roche Diagnostic Corporation, who provided reagent equipment and supplies for operations. In return, the System makes fixed monthly lease and purchase commitment payments at an imputed interest rate of 2.14%. The lease term began in July 2020 for a period of seven years with the lease expiring in July 2027. The capital lease is secured by the right-of-use equipment transferred to the System.

The trust indentures underlying the bonds and lease agreements contain certain covenants and other terms and conditions typical of such debt agreements for organizations like the Authority. Management believes the Authority is in compliance with these covenants at September 30, 2020.

8. Medicaid Privilege Taxes

The State of Alabama has levied a privilege tax on all nursing home facilities in Alabama. Fayette Medical Center paid taxes in the amount of $586,119 and $495,346 for the years ended September 30, 2020 and 2019, respectively. As a result of this privilege tax, the Medicaid reimbursement rates for nursing home residents have been enhanced; therefore, the privilege tax has been reported as a reduction in net patient service revenue. This enhancement is contingent on the continuation of this tax.

9. Commitments and Contingencies

Litigation

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

Medical Malpractice Claims

There are known claims and incidents that may result in an assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. After consultation with legal counsel, management has accrued a provision for estimated losses that will result from existing known claims and has included these losses in the operating results. As of September 30, 2020 and 2019, the Authority had accrued approximately $6,109,937 and $10,666,301 , respectively, as a reserve for malpractice claims. This accrual relates to the Authority's risks involving general and professional liability, which is a self-insurance program. The risks are subject to various claims and aggregate limits, with excess liability coverage provided by independent commercial insurers.

CARES Act Funding

Payments from the CARES Act are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for COVID-related expenses and lost operating margin from patient related care, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. Except for certain relief payments the Authority returned to HHS, the Authority has formally accepted the terms and conditions associated with the receipt of relief payments received.

With respect to the CARES Act funding described in Note 1, there can be no assurance as to the total amount of financial and other types of assistance the Authority will receive under the CARES Act or other funding sources, and it is difficult to predict the impact of such measures on operating results or how they will affect operations of our competitors. Further, there can be no assurance that the terms of provider relief funding or other programs will not change or be interpreted in ways that affect our funding or eligibility to participate or our ability to comply with applicable requirements. The Authority continues to assess the potential impact of the CARES Act and the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on the Authority's business operations. The use of CARES Act funding is subject to validation and audit and, therefore, the possibility exists that monies recognized as nonoperating revenue could be subject to recoupment in the future.

10. Concentrations of Credit Risk

The facilities of the Authority are located in West Alabama. The Authority grants credit without collateral to its patients, almost all of whom are local residents and are insured under third-party payor agreements. Gross revenues from patients and third-party payors were as follows:

	2020	2019
Medicare	**49%**	47%
Medicaid	**13%**	13%
Blue Cross	**22%**	22%
Other third-party payors	**10%**	12%
Patients	**6%**	6%
	100%	100%

The Authority performs an evaluation of the collectability of receivables based on a variety of factors including experience, payor type and aging, and records an allowance for uncollectible accounts. The Authority believes its allowance for uncollectible accounts is sufficient based on credit exposure at September 30, 2020.

11. Fair Value Measurement

The following information is presented in accordance with the disclosure requirements of GASB Statement No. 72, *Fair Value Measurement and Application.*

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Authority for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 — Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available; therefore, allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair value measurements at September 30, 2020:

Assets	**Fair Value at September 30, 2020**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and short-term investments	**$ 18,231,254**	**$ 18,231,254**	**$ -**	**$ -**
Certificates of deposit	**2,500,000**	**2,500,000**	**-**	**-**
Mutual funds	**5,042,409**	**5,042,409**	**-**	**-**
Debt securities	**195,000,734**	**-**	**195,000,734**	**-**
Common stock	**634,269**	**634,269**	**-**	**-**
US Treasury funds	**18**	**18**	**-**	**-**
Total assets at fair value	**$ 221,408,684**	**$ 26,407,950**	**$195,000,734**	**$ -**

Fair value measurements at September 30, 2019:

Assets	**Fair Value at September 30, 2019**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and short-term investments	$ 36,264,280	$ 36,264,280	$ -	$ -
Certificates of deposit	4,510,060	4,510,060	-	-
Mutual funds	4,395,335	4,395,335	-	-
Debt securities	185,596,561	-	185,596,561	-
Common stock	1,449,317	1,449,317	-	-
US Treasury funds	6,929	6,929	-	-
Total assets at fair value	$ 232,222,482	$ 46,625,921	$185,596,561	$ -

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets that the Authority has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The Authority does not adjust the quoted prices for such assets and liabilities. Debt securities classified in Level 2 of the fair value hierarchy are valued using quoted prices for similar instruments in active or inactive markets, matrix pricing and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset. Inputs are obtained from various sources, including market participants, dealers, and brokers.

12. Investment in Joint Ventures

A combined summary of the equity investment joint ventures' financial information as of September 30, 2020 and for the year then ended, and the Authority's percentage of ownership is as follows:

	Assets	Liabilities	Equity	Net Income (Loss)	Authority %
Inspirien Holding Company	**$ 43,169,463**	**$ 29,624,246**	**$ 13,545,217**	**$ (137,507)**	**$ 27.79%**
DVA Healthcare of Tuscaloosa, LLC	**5,798,905**	**2,000,333**	**3,798,572**	**138,740**	**49.00%**
North River Surgical Center, LLC	**2,226,588**	**547,441**	**1,679,147**	**615,599**	**24.00%**
Greater Alabama Health Network	**239,335**	**1,719**	**237,616**	**(435,421)**	**55.00%**
West Alabama Health Properties, LLC	**15,202,367**	**2,924,343**	**12,278,024**	**(485,677)**	**33.33%**
LHC Group, Inc.	**2,146,422**	**428,492**	**1,717,920**	**225,947**	**33.00%**
Total	**$ 68,783,080**	**$ 35,526,574**	**$ 33,256,496**	**$ (78,319)**	

A combined summary of the equity investment joint ventures' financial information as of September 30, 2019 and for the year then ended, and the Authority's percentage of ownership is as follows:

	Assets	Liabilities	Equity	Net Income (Loss)	Authority %
Inspirien Holding Company	$ 38,741,159	$ 23,481,581	$ 15,259,579	$ (1,851,070)	$ 27.79%
DVA Healthcare of Tuscaloosa, LLC	5,829,010	1,749,781	4,079,229	1,392,710	49.00%
North River Surgical Center, LLC	2,406,559	721,254	1,685,305	722,523	24.00%
Greater Alabama Health Network	6,098,572	3,108,499	2,990,073	122,517	55.00%
West Alabama Health Properties, LLC	15,728,792	12,230,147	3,498,645	(763,810)	33.33%
LHC Group, Inc.	1,900,812	56,926	1,843,885	191,820	33.00%
Total	$ 70,704,904	$ 41,348,188	$ 29,356,716	$ (185,310)	

The Authority's equity interest in these joint ventures was $7,933,496 and $10,490,951 at September 30, 2020 and 2019, respectively. The Authority's equity interest is reflected in the combined statement of net position.

The Authority's percentage of the net earnings in these joint ventures was $1,055,043 and $1,089,766 for the years ended September 30, 2020 and 2019, respectively. The net earnings related to the joint ventures are reflected in the combined statement of revenues, expenses, and changes in net position.

13. Operating Leases

The Authority has operating leases for office space and equipment that expire at various dates through 2027. Rent expense related to these agreements was approximately $415,496 and $453,129 for the years ended September 30, 2020 and 2019, respectively.

Effective September 1, 1984, the Authority entered into a twenty-year lease agreement with the Fayette County Commission and Fayette County Hospital Board (lessors) to operate Fayette Medical Center. The Authority entered into a new agreement for the Fayette facility on October 9, 2007 which extended the lease term until September 30, 2027. The amended lease calls for an annual rental of the greater of $100,000 or one-half of the net profits of the facility adjusted by debt service payments and all capital improvements and equipment additions. The Authority is required to expend an additional three million dollars in capital improvements and equipment additions beginning with the effective date of the amended lease through September 30, 2027. Rent expense was $100,000 for the year ended September 30, 2020. Upon termination of the lease, the lessors agree to purchase the net working capital (as defined by the lease agreement) of the lessee employed in the operation of the leased facilities. The purchase price will be paid in twelve monthly installments beginning thirty days from the effective date of the termination of the lease. Additionally, improvements made and equipment purchased becomes the property of the lessors.

Approximate future minimum lease payments for the next five years under these operating leases that have initial terms in excess of one year as of September 30, 2020 are as follows:

2021	$ 280,445
2022	176,894
2023	100,000
2024	100,000
2025	100,000
Thereafter	200,000
Total	$ 957,339

Required Supplementary Information

The DCH Health Care Authority
Schedules of Changes in Net Pension Liability and Related Ratios
Years Ended September 30

	Year Ended September 30 2020	Year Ended September 30 2019	Year Ended September 30 2018	Year Ended September 30 2017	Year Ended September 30 2016
DCH Healthcare Authority Pension Plan					
Measurement date	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Total pension liability					
Service cost	$ 3,169,055	$ 3,145,148	$ 3,813,984	$ 3,823,276	$ 4,059,522
Interest	21,724,510	21,398,981	20,840,028	20,191,513	19,646,504
Difference between expected and actual experience	1,552,081	4,478,940	4,279,973	5,272,903	(871,538)
Changes of assumptions	349,542	(1,026,522)	1,286,488	(785,849)	(434,913)
Benefit payments, including refunds of member contributions	(28,808,105)	(23,469,358)	(22,215,384)	(18,956,392)	(15,662,257)
Net change in total pension liability	(2,012,917)	4,527,189	8,005,089	9,545,451	6,737,318
Total pension liability - beginning	292,777,712	288,250,523	280,245,434	270,699,983	263,962,665
Total pension liability - ending	$ 290,764,795	$ 292,777,712	$ 288,250,523	$ 280,245,434	$ 270,699,983
Plan fiduciary net position					
Contributions - employer	$ 9,385,674	$ 9,208,478	$ 8,569,232	$ 7,993,829	$ 11,337,838
Net investment income	11,938,196	18,214,795	19,408,742	22,422,485	(1,774,296)
Benefit payments, including refunds of member contributions	(28,808,105)	(23,469,358)	(22,215,384)	(18,956,392)	(15,662,257)
Administrative expenses	(646,581)	(628,981)	(659,197)	(905,340)	(532,981)
Net change in plan fiduciary net position	(8,130,816)	3,324,934	5,103,393	10,554,582	(6,631,696)
Plan fiduciary net position - beginning	220,307,140	216,982,206	211,878,813	201,324,231	207,955,927
Plan fiduciary net position - ending	$ 212,176,324	$ 220,307,140	$ 216,982,206	$ 211,878,813	$ 201,324,231
Net pension liability - ending	$ 78,588,471	$ 72,470,572	$ 71,268,317	$ 68,366,621	$ 69,375,752
Plan fiduciary net position as a percentage of the total pension liability	72.97%	75.25%	75.28%	75.60%	74.37%
Covered-employee payroll	$ 163,953,639	$ 168,378,151	$ 167,273,045	$ 172,752,826	$ 172,564,958
Net pension liability as a percentage of the covered-employee payroll	47.93%	43.04%	42.61%	39.57%	40.20%
Contributions recognized by plan as a percentage of covered-employee payroll	5.72%	5.47%	5.12%	4.63%	6.57%

	Year Ended September 30 2020	Year Ended September 30 2019	Year Ended September 30 2018	Year Ended September 30 2017	Year Ended September 30 2016
Fayette Medical Center Pension Plan					
Measurement date	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Total pension liability					
Service cost	$ 187,431	$ 193,311	$ 215,001	$ 229,637	$ 232,338
Interest	1,132,476	1,132,475	1,116,258	1,097,395	1,038,278
Difference between expected and actual experience	57,307	(176,101)	215,239	(11,865)	299,984
Changes of assumptions	17,352	(53,437)	77,966	(44,156)	(9,255)
Benefit payments, including refunds of member contributions	(1,151,436)	(1,120,486)	(1,377,232)	(979,891)	(759,075)
Net change in total pension liability	243,130	(24,238)	247,232	291,120	802,270
Total pension liability - beginning	15,162,229	15,186,467	14,939,235	14,648,115	13,845,845
Total pension liability - ending	$ 15,405,359	$ 15,162,229	$ 15,186,467	$ 14,939,235	$ 14,648,115
Plan fiduciary net position					
Contributions - employer	$ 448,052	$ 462,342	$ 406,064	$ 400,588	$ 526,826
Net investment income	748,095	1,027,517	1,091,215	986,254	(229,192)
Benefit payments, including refunds of member contributions	(1,151,436)	(1,120,486)	(1,377,232)	(979,891)	(759,075)
Administrative expenses	(44,704)	(37,463)	(37,168)	(56,179)	(30,795)
Net change in plan fiduciary net position	7	331,910	82,879	350,772	(492,236)
Plan fiduciary net position - beginning	12,021,016	11,689,106	11,606,227	11,255,455	11,747,681
Plan fiduciary net position - ending	$ 12,021,023	$ 12,021,016	$ 11,689,106	$ 11,606,227	$ 11,255,445
Net pension liability - ending	$ 3,384,336	$ 3,141,213	$ 3,497,361	$ 3,333,008	$ 3,392,670
Plan fiduciary net position as a percentage of the total pension liability	78.03%	79.28%	76.97%	77.69%	76.84%
Covered-employee payroll	$ 8,821,278	$ 8,866,525	$ 9,365,204	$ 9,833,117	$ 9,654,342
Net pension liability as a percentage of the covered-employee payroll	38.37%	35.43%	37.34%	33.90%	35.14%
Contributions recognized by plan as a percentage of covered-employee payroll	5.08%	5.21%	4.34%	4.07%	5.46%

	Year Ended September 30 2020	Year Ended September 30 2019	Year Ended September 30 2018	Year Ended September 30 2017	Year Ended September 30 2016
DCH Healthcare Authority Benefits Restoration Plan					
Measurement date	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Total pension liability					
Service cost	$ 70,182	$ 70,766	$ 72,474	$ 62,794	$ 64,650
Interest	183,224	205,036	182,985	210,192	191,364
Difference between expected and actual experience	(230,997)	(503,487)	(269,562)	(290,349)	303,789
Changes of assumptions	21,883	(33,273)	(197,061)	308,994	28,254
Benefit payments, including refunds of member contributions	-	(825,892)	-	-	-
Net change in total pension liability	44,292	(1,086,850)	(211,164)	291,631	588,057
Total pension liability - beginning	5,033,631	6,120,481	6,331,645	6,040,014	5,451,957
Total pension liability - ending	$ 5,077,923	$ 5,033,631	$ 6,120,481	$ 6,331,645	$ 6,040,014
Plan fiduciary net position					
Contributions - employer	$ -	$ 825,892	$ -	$ -	$ -
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	-	(825,892)	-	-	-
Administrative expenses	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	$ -	$ -	$ -	$ -	$ -
Net pension liability - ending	$ 5,077,923	$ 5,033,631	$ 6,120,481	$ 6,331,645	$ 6,040,014
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$ 3,718,598	$ 3,181,438	$ 3,388,994	$ 2,929,786	$ 2,948,053
Net pension liability as a percentage of the covered-employee payroll	136.55%	158.22%	180.60%	216.11%	204.88%
Contributions recognized by plan as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

	Year Ended September 30 2020	Year Ended September 30 2019
DCH Health System Postretirement Benefit Plan		
Measurement date	September 30, 2019	September 30, 2018
Total pension liability		
Service cost	$ 8,917	$ 13,280
Interest	250,761	236,517
Difference between expected and actual experience	(522,460)	43,740
Changes of assumptions	(1,463,098)	551,775
Benefit payments, including refunds of member contributions	(921,657)	(961,097)
Net change in total pension liability	(2,647,537)	(115,785)
Total pension liability - beginning	7,475,407	7,591,192
Total pension liability - ending	$ 4,827,870	$ 7,475,407
Plan fiduciary net position		
Contributions - employer	$ 921,657	$ 961,097
Net investment income	-	-
Benefit payments, including refunds of member contributions	(921,657)	(961,097)
Administrative expenses		-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	$ -	$ -
Net pension liability - ending	$ 4,827,870	$ 7,475,407
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of the covered-employee payroll	N/A	N/A

Notes to Schedule:
Plan fiduciary net position - No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

Additional Information

Date of Original Organization:	October, 1947
Date of Reorganization:	June 29, 1982
Under the Laws of:	State of Alabama
Duration of Charter:	Created by Act of Alabama Legislature

NAME	TITLE	ADDRESS	TERM EXPIRATION
DCH HEALTH CARE AUTHORITY BOARD MEMBERS			
Judge Joseph Colquitt	Chairman	P.O. Box 870382 Tuscaloosa, AL 35487	June, 2026
John Mize	Vice-Chairman	818 Canyon Road Tuscaloosa, AL 35406	June, 2023
Dr. Linda Olivet	Secretary	1814 Northridge Road Tuscaloosa, AL 35406	June, 2024
Jim Harrison, III	Treasurer	P.O. Box 2150 Tuscaloosa, AL 35403	June, 2026
Herb Ragsdale	Board Member	905 15th Street Tuscaloosa, AL 35401	June, 2022
Robert S. Way	Board Member	704 Greenbriar Place Northport, AL 35473	June, 2021
Jason R. Bearden, M.D.	Board Member	701 Indian Hills Tuscaloosa, AL 35406	September, 2021
David Hudson, Jr.	Board Member	P.O. Box 20167 Tuscaloosa, AL 35402	June, 2025
Dr. Brian Claytor	Board Member	6526 Waterfront Drive Tuscaloosa, AL 35402	September, 2025
DCH HEALTH CARE AUTHROITY EXECUTIVE OFFICIALS			
Bryan N. Kindred	President/CEO	The DCH Health Care Authority Tuscaloosa, AL 35401	

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

Board of Directors
The DCH Health Care Authority
Tuscaloosa, AL

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the DCH Health Care Authority (the "Authority") and its discretely presented component unit for the years ended September 30, 2020 and 2019, and the related notes to the combined financial statements, which collectively comprise the Authority's basic combined financial statements as listed in the table of contents, and have issued our report thereon dated January 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the combined financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's combined 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 audits, 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.

DHG

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Greenville, South Carolina
January 7, 2021