

**RANKIN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**NOTE 6 – INVESTMENTS**

The District maintains investments consisting of certificates of deposit with Prosperity Bank and Security Bank. As of September 30, 2016 and 2015, the District's investments were comprised of certificates of deposit in the amount of \$866,384 and 1,874,321, respectively, all of which were covered by FDIC and pledged securities.

The District's investments may be exposed to the following types of risks:

**Interest Rate Risk** – Interest rate risk is the risk that market values of investments will change based on changes in market interest rates.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

**Concentration of Credit Risk** – The District places no limit on the amount that may be invested in any one issuer.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of net position.

**NOTE 7 - TAXES RECEIVABLE**

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Taxes are reported as revenues in the period for which they are levied. Tax revenue, net of related expenses for the years ended September 30, 2016 and 2015, were \$5,920,782 and \$5,741,073, respectively. The tax rates for September 30, 2016 and 2015 were \$0.1946 and \$0.150499, respectively. As of September 30, 2016 and 2015, the balance of property taxes receivable and its related allowance for uncollectible taxes are as follows:

	<u>2016</u>	<u>2015</u>
Taxes Receivable	\$ 71,223	\$ 71,223
Allowance for Uncollectible Taxes	<u>(22,739)</u>	<u>(22,739)</u>
Net Taxes Receivable	<u>\$ 48,484</u>	<u>\$ 48,484</u>

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

**RANKIN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**NOTE 8 – CAPITAL ASSETS**

The following is a summary of capital assets at cost less accumulated depreciation:

	Balance 09/30/15	Additions	Reclass/ Retirements	Balance 09/30/16
Land and Improvements	\$ 1,875	\$ -	\$ 1,284,917	\$ 1,286,792
Building and Improvements	23,520,024	109,499	(3,946,857)	19,682,666
Equipment	4,803,393	145,928	1,583,636	6,532,957
Construction in progress	9,001	1,037,606	(197,290)	849,317
Totals at Historical Cost	<u>28,334,293</u>	<u>1,293,033</u>	<u>(1,275,594)</u>	<u>28,351,732</u>
Less Accumulated Depreciation for:				
Land Improvements	(27,161)	(73,546)	1,859	(98,849)
Buildings	(1,201,697)	(787,472)	814,159	(1,175,011)
Equipment	<u>(2,186,166)</u>	<u>(751,025)</u>	<u>358,535</u>	<u>(2,578,656)</u>
Total Accumulated Depreciation	<u>(3,415,025)</u>	<u>(1,612,044)</u>	<u>1,174,553</u>	<u>(3,852,516)</u>
Capital Assets, Net	<u>\$ 24,919,268</u>	<u>\$ (319,011)</u>	<u>\$ (101,041)</u>	<u>\$ 24,499,216</u>

  

	Balance 09/30/14	Additions	Reclass/ Retirements	Balance 09/30/15
Land and Improvements	\$ 1,875	\$ -	\$ -	\$ 1,875
Building and Improvements	1,902,484	-	21,617,540	23,520,024
Equipment	2,819,952	58,830	1,924,611	4,803,393
Construction in progress	7,287,014	16,264,138	(23,542,151)	9,001
Totals at Historical Cost	<u>12,011,325</u>	<u>16,322,968</u>	<u>-</u>	<u>28,334,293</u>
Less Accumulated Depreciation for:				
Land Improvements	(8,185)	(18,976)	-	(27,161)
Buildings	(973,566)	(228,131)	-	(1,201,697)
Equipment	<u>(1,657,429)</u>	<u>(528,737)</u>	<u>-</u>	<u>(2,186,166)</u>
Total Accumulated Depreciation	<u>(2,639,180)</u>	<u>(775,845)</u>	<u>-</u>	<u>(3,415,025)</u>
Capital Assets, Net	<u>\$ 9,372,145</u>	<u>\$ 15,547,123</u>	<u>\$ -</u>	<u>\$ 24,919,268</u>

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**RANKIN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 8 – CAPITAL ASSETS (CONTINUED)**

Total depreciation expense for 2016 and 2015, was \$1,612,044 and \$803,744, respectively. At September 30, 2016, construction in progress consisted of amounts paid and accrued for the purchase of accounting and clinical software. The software is expected to be fully installed and implemented during fiscal year 2017.

**NOTE 9 – LONG-TERM DEBT**

Following is a summary of long-term debt at September 30:

	Balance 09/30/15	Additions	Reductions	Balance 09/30/16	Due Within One Year
Bonds and Notes Payable:					
Southside Bank, Series 2013 Bonds	\$ 14,270,000	\$ -	\$ (520,000)	\$ 13,750,000	\$ 540,000
Bank of Texas, Series 2014 Bonds	9,609,000	-	(394,000)	9,215,000	397,000
Bond Premium, Net	330,163	-	(18,101)	312,062	-
Total Bond and Notes Payable	24,209,163	-	(932,101)	23,277,062	937,000
Capital Leases Obligations	125,753	-	(125,753)	-	-
Total Long-Term Debt and Capital Leases	<u>\$ 24,334,916</u>	<u>\$ -</u>	<u>\$ (1,057,854)</u>	<u>\$ 23,277,062</u>	<u>\$ 937,000</u>
	Balance 09/30/14	Additions	Reductions	Balance 09/30/15	Due Within One Year
Bonds and Notes Payable:					
Southside Bank, Series 2013 Bonds	\$ 14,685,000	\$ -	\$ (415,000)	\$ 14,270,000	\$ 520,000
Bank of Texas, Series 2014 Bonds	10,000,000	-	(391,000)	9,609,000	394,000
Bond Premium, Net	347,540	-	(17,377)	330,163	-
Total Bond and Notes Payable	25,032,540	-	(823,377)	24,209,163	914,000
Capital Leases Obligations	78,048	119,000	(71,295)	125,753	60,472
Total Long-Term Debt and Capital Leases	<u>\$ 25,110,588</u>	<u>\$ 119,000</u>	<u>\$ (894,672)</u>	<u>\$ 24,334,916</u>	<u>\$ 974,472</u>

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**RANKIN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**NOTE 9 – LONG-TERM DEBT (CONTINUED)**

The terms and due dates of the District's long-term debt at September 30, 2016 and 2015:

- **Tax and Revenue Bonds, Series 2013:** Bond Payable to bank in annual principal installments ranging from \$415,000 to \$1,045,000, semiannual interest payments ranging from \$385,969 to \$44,413. The interest rate changes from 0.76% to 4.54%, the bond matures in December 2033.
- **Tax and Revenue Bond, Series 2014:** Bond payable to bank in annual principal installments ranging from \$391,000 to \$703,000, semiannual interest payments ranging \$326,401 to \$31,916. The interest rate changes from 4.00% to 4.25%, the bond matures in August 2034. As of September 30, 2016 and 2015 the balance of the unamortized premium is \$312,062 and \$330,163, respectively.

Tax and Revenue Bond, Series 2014 require that the District establish payment funds, which shall be maintained as long as any payments are unpaid. The District shall, not later than the day preceding any such payment date, deposit into the funds an amount sufficient to make such payments.

The following is a schedule of the long-term debt principal and interest maturities for each of the next five years:

For the Year Ending September 30,	Bonds Payable		
	Principal	Interest	Total
2017	937,000	869,420	1,806,420
2018	960,000	844,802	1,804,802
2019	991,000	819,362	1,810,362
2020	1,021,000	786,300	1,807,300
2021	1,056,000	752,199	1,808,199
2022-2026	5,876,000	3,172,524	9,048,524
2027-2031	7,108,000	1,965,430	9,073,430
2032-2034	5,016,000	444,647	5,460,647
Unamortized Bond Premium	312,062		
Total	<u>\$ 23,277,062</u>	<u>\$ 9,654,684</u>	<u>\$ 32,619,684</u>

The District follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. In 2016, total interest incurred was \$890,804, all of which was charged to operations. In 2015, total interest incurred was \$878,740, of which \$871,945 was capitalized, and \$6,795 was charged to operations.



**RANKIN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**Litigation** - The District is from time to time subject to claims and suits for damages, including damages for personal injuries to patients and others, most of which are covered as to risk and amount. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the District's financial position or results of operation.

**NOTE 11 - EMPLOYEE BENEFITS**

***Plan Description***

The District participates in the Texas County & District Retirement System (TCDRS), an agent multiple-employer defined benefit pension plan covering all full-time and part-time non-temporary employees, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The Plan is administered by a board of trustees appointed by TCDRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body within the options available in the state statutes governing TCDRS. The plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent CAFR for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

***Benefits Provided***

The Plan provides retirement, disability and survivor benefits to plan members and their beneficiaries. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the commitment of the District to contribute to the plan. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TCDRS.

Members can retire at ages 60 and above with 10 or more years, with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws their personal contributions in a lump sum, they are not entitled to any amounts contributed by the employer.

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

**RANKIN COUNTY HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2016 AND 2015**

**NOTE 11 – EMPLOYEE BENEFITS (CONTINUED)**

*Benefits Provided (Continued)*

At December 31, 2015, the following employees were covered by the benefit terms:

	<u>2016</u>	<u>2015</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	21	23
Inactive Employees Entitled to but not Yet Receiving Benefits	61	51
Active Employees	<u>59</u>	<u>60</u>
Total	<u><u>141</u></u>	<u><u>134</u></u>

***Contributions***

The District's governing board has the authority to establish and amend the contribution requirements of the District and active employees.

The District establishes rates based on the annually determined rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Plan members are required to contribute 7% of their annually covered salary. Under the TCDRS Act, rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the plan year ended December 31, 2015, employees contributed approximately \$289,599, or 7% of covered payroll, and the District contributed approximately \$262,837, or 6.4% of covered payroll, to the Plan. For the plan year ended December 31, 2014, employees contributed approximately \$250,994, or 7% of covered payroll, and the District contributed approximately \$225,901, or 6.3% of covered payroll, to the Plan.

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**RANKIN COUNTY HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2016 AND 2015**

**NOTE 11 – EMPLOYEE BENEFITS (CONTINUED)**

*Net Pension Asset*

At September 30, 2016 and 2015, The District's net pension asset was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension asset was respectively determined by an actuarial valuation as of that date.

The total pension asset in the December 31, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line amortization over Expected Working Life
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%

Mortality rates were based as follows:

Depositing Members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter.
Service Retirees, Beneficiaries and Non-depositing Members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with a one-year set-forward for males and no age adjustment for females.
Disabled Retirees	The RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected 110% of the MP-2014 Ultimate scale thereafter, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions used in the December 31, 2015 and 2014 valuations were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

**RANKIN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**NOTE 11 – EMPLOYEE BENEFITS (CONTINUED)**

**Net Pension Asset (Continued)**

The long-term expected rate of return on pension investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
U.S Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities-Developed	10.00%	5.45%
International Equities-Emerging	8.00%	6.45%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships (MLP's)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%

**RANKIN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**NOTE 11 – EMPLOYEE BENEFITS (CONTINUED)**

*Discount Rate*

The discount rate used to measure the total pension liability was 8.10% at December 31, 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

The following table summarizes the changes in the net pension asset as of December 31, 2015, the valuation date:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Asset
Balances as of December 31, 2014	\$ 4,699,219	\$ 5,163,546	\$ (464,327)
Changes for the Year:			
Service Cost	663,737	-	663,737
Interest on Total Pension Liability	391,006	-	391,006
Effect of Plan Changes	(57,647)	-	(57,647)
Effect of Economic/Demographic Gains or Losses	(462,819)	-	(462,819)
Effect of Assumptions Changes or Inputs	67,099	-	67,099
Refund of Contributions	(129,770)	(129,770)	-
Benefit Payments	(282,296)	(282,296)	-
Administrative Expenses	-	(3,775)	3,775
Member Contributions	-	289,599	(289,599)
Net Investment Income	-	(10,986)	10,986
Employer Contributions	-	262,837	(262,837)
Other	-	6,513	(6,513)
Balances as of December 31, 2015	<u>\$ 4,888,529</u>	<u>\$ 5,295,668</u>	<u>\$ (407,139)</u>