

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

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

*Discount Rate (Continued)*

The following table summarizes the changes in the net pension asset as of December 31, 2014, the valuation date:

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Asset
Balances as of December 31, 2013	\$ 4,218,177	\$ 4,694,385	\$ (476,208)
Changes for the Year:			
Service Cost	451,454	-	451,454
Interest on Total Pension Liability	345,771	-	345,771
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	32,057	-	32,057
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(98,343)	(98,343)	-
Benefit Payments	(249,896)	(249,896)	-
Administrative Expenses	-	(3,804)	3,804
Member Contributions	-	250,994	(250,994)
Net Investment Income	-	323,379	(323,379)
Employer Contributions	-	225,901	(225,901)
Other	-	20,931	(20,931)
Balances as of December 31, 2014	<u>\$ 4,699,220</u>	<u>\$ 5,163,547</u>	<u>\$ (464,327)</u>

**Sensitivity to the Net Pension Liability (Asset) to Changes in the Discount Rate** – The following presents the net pension asset of the District, calculated using the discount rate of 8.10%, as well as what the District’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

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)**

*Discount Rate (Continued)*

	2015		
	1% Decrease	Current Discount Rate	1% Increase
	<u>7.10%</u>	<u>8.10%</u>	<u>9.10%</u>
Total Pension Liability	\$ 5,481,267	\$ 4,888,529	\$ 4,398,112
Fiduciary Net Position	<u>5,295,668</u>	<u>5,295,668</u>	<u>5,295,668</u>
Net Pension (Asset)/Liability	<u>\$ 185,599</u>	<u>\$ (407,139)</u>	<u>\$ (897,556)</u>
	2014		
	1% Decrease	Current Discount Rate	1% Increase
	<u>7.10%</u>	<u>8.10%</u>	<u>9.10%</u>
Total Pension Liability	\$ 5,198,851	\$ 4,699,220	\$ 4,278,709
Fiduciary Net Position	<u>5,163,547</u>	<u>5,163,547</u>	<u>5,163,547</u>
Net Pension (Asset)/Liability	<u>\$ 35,304</u>	<u>\$ (464,327)</u>	<u>\$ (884,838)</u>

**Pension Plan Fiduciary Net Position** Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

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

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

*Pension (Income)/Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the years ended September 30, 2016 and 2015, the District recognized pension (income)/expense of approximately \$310,000 and \$159,000, respectively. At September 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan from the following sources:

	2016	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 347,114	\$ 19,234
Change of Assumptions	-	50,324
Net Difference Between Projected and Actual Earnings	-	390,829
Contributions Made Subsequent to Measurement Date	N/A	201,500

  

	2015	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 25,645
Change of Assumptions	-	-
Net Difference Between Projected and Actual Earnings	-	53,168
Contributions Made Subsequent to Measurement Date	N/A	194,584

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pension, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended September 30:	
2016	\$ 8,511
2017	8,511
2018	8,511
2019	87,738
2020	-

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 12 – POST-EMPLOYMENT BENEFIT**

In addition to the pension benefit described in Note 10, The District provides post-employment healthcare benefits to a limited group of employees who have retired from the District with more than twenty years of service. There are currently five retirees covered by the benefits. The District no longer offers this benefit to employees. The District's maximum annual exposure is the monthly premiums for the retirees' benefits during the year. The cost of healthcare benefits for retirees was \$14,000 and \$13,000 respectively for the years ended September 30, 2016 and 2015. The liability for post-employment benefit recorded by the District was approximately \$100,000 at September 30, 2016 and 2015. The liability was calculated using a discount rate of 3% in both 2016 and 2015.

**NOTE 13 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM**

**Uncompensated Care** - The District participated in the Section 1115 Demonstration Waiver Program, a program designed to benefit rural community hospitals. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District for the shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of \$1,223,065 and \$416,228, and received \$2,869,227 and \$1,007,572 for the years ended September 30, 2016 and 2015, respectively. The District underwent an audit of the demonstration year (DY) 1 and DY 2 for uncompensated care. During 2016, the District was notified that they had a payback of approximately \$1 million for DY1. Subsequent to year end, the District was also notified that they had a payback of approximately \$320,000 for DY 2. Based on the results of these audits, the District has recorded a payable of \$2,683,631 and \$2,243,668 at September 30, 2016 and 2015, respectively, which includes the known paybacks for DY 1 and DY 2 and an estimated payback for DY 3 and DY 4. The uncompensated care payable is included in other accrued liabilities on the statement of net position.

The District recognized revenue (deductions from revenues) of \$1,206,199 and (\$1,652,324) for the years ended September 30, 2016 and 2015, respectively. The respective revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions -- An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. In addition to making changes to how annual pension expense is to be calculated for defined benefit pension plans, the standard also requires that governmental entities record an asset or liability in their financial statements that is equal to the net pension asset or liability. Historically, governmental entities have only been required to record a liability, if any, for the difference between annual pension cost (APC) and the amount of APC contributed to the plan. Restatement of the 2014 financial statements is not practical because prior year information calculated under the provisions of GASB 68 is not available; accordingly, the District has reported the cumulative effect of applying GASB 68 as a restatement of net position as of October 1, 2014. This restatement increased previously reported net position by \$630,169.

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

**NOTE 15 - SUBSEQUENT EVENTS**

The date to which events occurring after September 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is April 20, 2017, which is the date on which the financial statements were available to be issued.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**RANKIN COUNTY HOSPITAL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**Schedule of District Contributions**

Year Ending December 31,	Actuarially Determined Contribution	Employer Contribution in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(1)</sup>	Actual Contribution as a % of Covered Payroll
2006	\$ 40,421	\$ 40,421	-	\$ 806,798	5.0%
2007	46,981	46,981	-	976,745	4.8%
2008	43,858	47,261	(3,403)	945,211	5.0%
2009	64,581	64,581	-	1,048,398	6.2%
2010	66,361	66,361	-	1,061,770	6.3%
2011	70,686	70,970	(285)	1,419,390	5.0%
2012	85,824	85,824	-	1,467,071	5.9%
2013	187,378	187,378	-	2,796,682	6.7%
2014	225,901	225,901	-	3,585,627	6.3%
2015	259,812	262,837	(3,026)	4,137,126	6.4%

**Notes to Schedule:**

(1) Payroll is calculated based on contributions as reported to TCDRS.

**Valuation Date:**

Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	0.0 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
	No changes in plan provisions are reflected in the Schedule of Employer Contributions

See Independent Auditor's Report on required supplemental information.

**RANKIN COUNTY HOSPITAL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
SEPTEMBER 30, 2016 AND 2015**

**Schedule of Changes in the District's Net Pension Asset and Related Ratios**

	Year Ended December 31,	
	2015	2014
Total Pension Liability		
Service Cost	\$ 663,737	\$ 451,454
Interest on Total Pension Liability	391,006	345,771
Effect of Plan Changes	(57,647)	-
Effect of Assumption Changes or Inputs	67,099	-
Effect of Economic/Demographic (Gains) or Losses	(462,819)	32,057
Benefit Payments/Refunds of Contributions	(412,066)	(348,239)
Net Change in Total Pension Liability	<u>189,310</u>	<u>481,043</u>
Total Pension Liability, Beginning	4,699,219	4,218,177
Total Pension Liability, Ending	<u>\$ 4,888,529</u>	<u>\$ 4,699,220</u>
Fiduciary Net Position		
Employer Contributions	\$ 262,837	\$ 225,901
Member Contributions	289,599	250,994
Investment Income Net of Investment Expenses	(10,986)	323,379
Benefit Payments/Refunds of Contributions	(412,066)	(348,239)
Administrative Expenses	(3,775)	(3,804)
Other	6,513	20,932
Net Changes in Fiduciary Net Position	<u>132,122</u>	<u>469,163</u>
Fiduciary Net Position, Beginning	5,163,546	4,694,384
Fiduciary Net Position, Ending	<u>\$ 5,295,668</u>	<u>\$ 5,163,547</u>
Net Pension Asset, Ending	<u>\$ (407,139)</u>	<u>\$ (464,327)</u>
Fiduciary Net Position as a % of Total Pension Liability	108.33%	109.88%
Pensionable Covered Payroll	\$ 4,137,126	\$ 3,585,627
Net Pension Asset as a % of Covered Payroll	-9.84%	-12.95%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Independent Auditor's Report on required supplemental information.