

**RANKIN COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected minus Inflation)</u>
U.S Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities-Developed Markets	10.00%	4.70%
International Equities-Emerging Markets	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLP's)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

**RANKIN COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016**

NOTE 11 – EMPLOYEE BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 8.10% at December 31, 2016 and 2015. 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, 2016, the valuation date:

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Asset
Balances as of December 31, 2015	\$ 4,888,529	\$ 5,295,668	\$ (407,139)
Changes for the Year:			
Service Cost	608,178	-	608,178
Interest on Total Pension Liability	404,836	-	404,836
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	(154,309)	-	(154,309)
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(101,602)	(101,602)	-
Benefit Payments	(283,330)	(283,330)	-
Administrative Expenses	-	(4,274)	4,274
Member Contributions	-	303,086	(303,086)
Net Investment Income	-	393,701	(393,701)
Employer Contributions	-	276,165	(276,165)
Other	-	70,199	(70,199)
Balances as of December 31, 2016	<u>\$ 5,362,302</u>	<u>\$ 5,949,613</u>	<u>\$ (587,311)</u>

**RANKIN COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016**

NOTE 11 – EMPLOYEE BENEFITS (CONTINUED)

Discount Rate (Continued)

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

Changes in Net Pension Asset	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>

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:

**RANKIN COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016**

NOTE 11 – EMPLOYEE BENEFITS (CONTINUED)

Discount Rate (Continued)

	2016		
	1% Decrease	Current Discount Rate	1% Increase
	<u>7.10%</u>	<u>8.10%</u>	<u>9.10%</u>
Total Pension Liability	\$ 6,024,004	\$ 5,362,303	\$ 4,815,951
Fiduciary Net Position	<u>5,949,614</u>	<u>5,949,614</u>	<u>5,949,614</u>
Net Pension (Asset)/Liability	<u>\$ 74,390</u>	<u>\$ (587,311)</u>	<u>\$ (1,133,663)</u>
	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>

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, 2017 AND 2016**

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, 2017 and 2016, the District recognized pension (income)/expense of approximately \$277,130 and \$310,000, respectively. At September 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan from the following sources:

	<u>2016</u>	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 347,141	\$ 12,823
Change of Assumptions	-	33,549
Net Difference Between Projected and Actual Earnings	-	326,265
Contributions Made Subsequent to Measurement Date	N/A	207,419

	<u>2015</u>	
	<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

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:	
2017	\$ (20,949)
2018	(20,949)
2019	58,278
2020	9,117
2021	-

**RANKIN COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017 AND 2016**

NOTE 12 – POST-EMPLOYMENT BENEFIT

In addition to the pension benefit described in Note 11, 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 approximately \$15,000 and \$14,000 respectively for the years ended September 30, 2017 and 2016. The liability for post-employment benefit recorded by the District was approximately \$106,000 and 100,000 at September 30, 2017 and 2016, respectively. 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 \$353,200 and \$1,223,065 and received \$806,026 and \$2,869,227 for the years ended September 30, 2017 and 2016, respectively. The District underwent audits of the demonstration years (DY) 1, DY 2 and DY 3 for uncompensated care. Based on the results of these audits, the District has recorded a payable of \$1,294,413 and \$2,683,631 at September 30, 2017 and 2016, respectively, which includes the known payback for DY 2 and an estimated payback for DY5 and DY6. The uncompensated care payable is included in other accrued liabilities on the statement of net position.

The District recognized revenue (deductions from revenues) of \$849,735 and \$1,206,199 for the years ended September 30, 2017 and 2016, respectively. The respective revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

NOTE 14 - SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 20, 2018, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**RANKIN COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SEPTEMBER 30, 2017 AND 2016**

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

	Year Ended December 31,		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 608,178	\$ 663,737	\$ 451,454
Interest on Total Pension Liability	404,836	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	(154,309)	(462,819)	32,057
Benefit Payments/Refunds of Contributions	(384,932)	(412,066)	(348,239)
Net Change in Total Pension Liability	<u>473,773</u>	<u>189,310</u>	<u>481,043</u>
Total Pension Liability, Beginning	4,888,529	4,699,219	4,218,177
Total Pension Liability, Ending	<u>\$ 5,362,302</u>	<u>\$ 4,888,529</u>	<u>\$ 4,699,220</u>
Fiduciary Net Position			
Employer Contributions	\$ 276,165	\$ 262,837	\$ 225,901
Member Contributions	303,086	289,599	250,994
Investment Income Net of Investment Expenses	393,701	(10,986)	323,379
Benefit Payments/Refunds of Contributions	(384,932)	(412,066)	(348,239)
Administrative Expenses	(4,274)	(3,775)	(3,804)
Other	70,199	6,513	20,932
Net Changes in Fiduciary Net Position	<u>653,945</u>	<u>132,122</u>	<u>469,163</u>
Fiduciary Net Position, Beginning	5,295,668	5,163,546	4,694,384
Fiduciary Net Position, Ending	<u>\$ 5,949,613</u>	<u>\$ 5,295,668</u>	<u>\$ 5,163,547</u>
Net Pension Asset, Ending	<u>\$ (587,311)</u>	<u>\$ (407,139)</u>	<u>\$ (464,327)</u>
Fiduciary Net Position as a % of Total Pension Liability	110.95%	108.33%	109.88%
Pensionable Covered Payroll	\$ 4,329,806	\$ 4,137,126	\$ 3,585,627
Net Pension Asset as a % of Covered Payroll	-13.56%	-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.

**RANKIN COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SEPTEMBER 30, 2017 AND 2016**

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 (1)	Actual Contribution as a % of Covered Payroll
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%
2016	276,165	276,165	-	4,329,806	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 12/31/2016 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.