

**Rankin County Hospital District
Rankin, Texas**

Financials

**For the Years Ended
September 30, 2017 and 2016**

RANKIN COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

**ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES:**

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 680,724	\$ 2,882,472
Short-Term Investments	100,000	606,105
Assets Whose Use is Limited	3,712,062	1,750,762
Patient Accounts Receivable, Net of Allowance	540,959	886,631
Estimated Third-Party Payor Settlements	985,736	610,222
Other Receivables	-	24,395
Inventory of Supplies	257,837	276,477
Prepaid and Other Current Assets	140,950	158,636
Property Taxes Receivable	<u>45,606</u>	<u>48,484</u>
Total Current Assets	6,463,874	7,244,184
LONG-TERM INVESTMENTS	-	260,279
NONCURRENT ASSETS,		
Capital Assets, Net of Accumulated Depreciation	24,190,706	24,499,216
Net Pension Assets	<u>587,311</u>	<u>407,139</u>
Total Noncurrent Assets	<u>24,778,017</u>	<u>24,906,355</u>
DEFERRED OUTFLOWS OF RESOURCES		
Difference Between Projected and Actual Earnings	326,265	390,829
Difference Between Expected and Actual Experience	12,823	19,234
Difference Between Changes in Assumption	33,549	50,324
Contributions Subsequent to the Measurement Date	<u>207,419</u>	<u>201,500</u>
Total Deferred Outflows of Resources	<u>580,056</u>	<u>661,887</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 31,821,947</u>	 <u>\$ 33,072,705</u>

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

RANKIN COUNTY HOSPITAL DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 969,899	\$ 937,000
Accounts Payable	290,804	506,769
Accrued Payroll, Benefits, and Related Liabilities	645,032	508,441
Other Accrued Liabilities	<u>1,463,751</u>	<u>2,852,896</u>
Total Current Liabilities	3,369,486	4,805,106
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	21,408,038	22,340,062
Post-Employment Benefits	<u>91,207</u>	<u>86,181</u>
Total Noncurrent Liabilities	<u>21,499,245</u>	<u>22,426,243</u>
Total Liabilities	24,868,731	27,231,349
DEFERRED INFLOWS OF RESOURCES		
Difference Between Projected and Actual Earnings	<u>347,141</u>	<u>347,114</u>
Total Liabilities and Deferred Inflows of Resources	25,215,872	27,578,463
NET POSITION		
Net Investment in Capital Assets	1,812,769	1,222,154
Unrestricted	<u>4,793,306</u>	<u>4,272,088</u>
Total Net Position	<u>6,606,075</u>	<u>5,494,242</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 31,821,947</u>	<u>\$ 33,072,705</u>

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

RANKIN COUNTY HOSPITAL DISTRICT

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Net Patient Service Revenue	\$ 5,830,895	\$ 5,388,264
Other Revenue	817,875	768,594
Total Operating Revenues	6,648,770	6,156,858
OPERATING EXPENSES:		
Salaries	5,408,029	4,923,820
Employee Benefits and Payroll Taxes	1,110,479	1,029,056
Professional Fees and Purchased Services	1,467,744	1,700,314
Supplies	998,703	542,864
Other Operating	635,564	645,140
Depreciation and Amortization	1,424,272	1,593,943
Total Operating Expenses	11,044,791	10,435,137
Operating Income (Loss)	(4,396,021)	(4,278,279)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	6,342,802	5,920,782
Noncapital Grants and Contributions	9,258	20,270
Investment Income	15,699	39,953
Interest Expense	(859,905)	(890,804)
Gain (Loss) on Disposal of Assets	-	(28,942)
Total Nonoperating Revenues (Expenses)	5,507,854	5,061,259
Increase (Decrease) in Net Position	1,111,833	782,980
Net Position, Beginning of Year	5,494,242	4,711,262
Net Position, End of Year	\$ 6,606,075	\$ 5,494,242

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

RANKIN COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on Behalf of Patients	\$ 4,420,164	\$ 5,869,703
Other Receipts and Payments, net	842,270	765,220
Payments to Suppliers and Contractors	(2,970,457)	(3,450,854)
Payments to Employees	(6,475,205)	(5,797,306)
Net Cash Provided by (Used in) Operating Activities	<u>(4,183,228)</u>	<u>(2,613,237)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Earnings	15,699	39,953
Net Change in Investments	766,384	1,007,937
Net Cash Provided by (Used in) Investing Activities	<u>782,083</u>	<u>1,047,890</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Property Taxes Received for Debt Service Requirements	1,804,802	1,810,243
Principal Payments on Long-Term Debt and Notes Payable	(937,000)	(1,057,854)
Interest Payments on Long-Term Debt and Notes Payable	(868,161)	(896,893)
Proceeds From Sale of Capital Assets	-	72,100
Purchase of Capital Assets	(1,389,080)	(1,852,021)
Net Cash (Used in) Capital and Related Financing Activities	<u>(1,389,439)</u>	<u>(1,924,425)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Taxes	4,540,878	4,110,539
Noncapital Grants and Contributions	9,258	20,270
Net Cash Provided by Noncapital Financing Activities	<u>4,550,136</u>	<u>4,130,809</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(240,448)</u>	<u>641,037</u>
Cash and Cash Equivalents, Beginning of Year	<u>4,633,234</u>	<u>3,992,197</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,392,786</u></u>	<u><u>\$ 4,633,234</u></u>

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

RANKIN COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
RECONCILIATION OF CASH AND EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and Cash Equivalents Presented Under the Following Titles:		
Cash and Cash Equivalents	\$ 680,724	\$ 2,882,472
Assets Whose Use is Limited	3,712,062	1,750,762
Total Cash and Cash Equivalents	\$ 4,392,786	\$ 4,633,234
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (4,396,021)	\$ (4,278,279)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Used in Operating Activities:		
Cash Flows Used in Operating Activities:		
Bad Debt Expense	948,607	566,050
Depreciation and Amortization	1,424,272	1,593,943
(Increase) Decrease in:		
Patient Accounts Receivable	(602,935)	(164,706)
Estimated Third-Party Payor Settlements	(375,514)	(360,689)
Inventory of Supplies		
Prepaid Expenses and Other Current Assets	60,721	(300,925)
Deferred Outflows of Resources	81,831	(388,490)
Net Pension Asset	(180,172)	57,188
Increase (Decrease) in:		
Accounts Payable	95,228	(264,985)
Accrued Salaries and Benefits Payable	141,617	139,758
Other Accrued Liabilities	(1,380,889)	440,784
Deferred Inflows of Resources	27	347,114
Net Cash Provided by (Used in) Operating Activities	\$ (4,183,228)	\$ (2,613,237)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital Assets Acquired Under Capital Lease Obligations	\$ 55,976	\$ -
Capital Asset Purchases Included in Accounts Payable	\$ 102,376	\$ 413,569

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Rankin County Hospital District (the "District") located in Rankin, Texas, was created by a law of the State of Texas. The District is governed by a board of directors, elected from the population in the District. The District is a critical access hospital providing short-term inpatient and outpatient health care and is funded, in part, by ad valorem taxes on real and personal property within the jurisdiction.

Enterprise Fund Accounting - The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The District has also elected to apply the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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

Cash and Cash Equivalents - The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Investments - The District may legally invest in direct obligations and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. The District's short-term investments are stated at fair value and are comprised of certificates of deposits with maturities in excess of three months, but less than a year, when purchased.

The District's long-term investments consist of certificates of deposits with maturities in excess of twelve months when purchased.

Assets Whose Use is Limited - Assets whose use is limited include assets which have been designated by the Board for future capital improvements and debt service. Amounts required to meet current liabilities of the District have been reclassified in the statement of net position when applicable.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management's judgment, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management's evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Inventory of Supplies - Inventory is stated at historical cost on the First-In, First-Out (FIFO) method.

Capital Assets - Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The District provides for depreciation of capital assets by the straight-line method and at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gift, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The District's capitalization policy states that any asset with a value greater than \$5,000 and a useful life of greater than one year will be capitalized.

The following are a range of useful lives used by asset class:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

Defined Benefit Pension Plan - For purposes of measuring the net pension asset, deferred outflows of resources, deferred inflows of resources, and pension income/expense related to the defined benefit pension plan, information about the fiduciary net position of the Texas County and District Retirement System ("TCDRS") defined benefit pension plan and additions to/deductions from the TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources - Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources, respectively.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Net position of the District is classified into two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Operating Revenues and Expenses - For purposes of display, the District’s statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District’s principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Federal Income Taxes – The District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income, if any

Charity Care - The District provides care to patients who meet certain criteria under its charity care policy without charge at amounts less than its established rates. Management’s policy for the provision of charity care requires that the patient must complete an application questionnaire. Upon meeting the aforementioned criteria, the individual is then subject to various means tests to determine eligibility status. Because the District does not pursue collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.

Grants and Contributions – From time to time, the District receives grants from the state as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Property Taxes – The Districted received approximately 48.7% and 48.9% of its financial support from property taxes in 2017 and 2016, respectively. These funds were used as follows:

	<u>2017</u>	<u>2016</u>
Percentage used to support operations	72%	69%
Percentage used for debt service on general obligation bonds	28%	31%

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management - The District is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Newly Adopted Accounting Pronouncements

GASB Statement No. 77 - During 2017, the District implemented the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*. The Objective of this statement is to improve reporting by requiring governments that enter into tax abatement agreements to disclose certain information about the tax being abated, the authority under which the tax abatements are required, the dollar amounts, and any commitments if the government, other than tax abatements. The implementation of this Statement did not affect the changes in net position in 2017 and 2016.

GASB Statement No. 82 – GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy plan member contribution requirements. The requirements of this Statement are effective for periods beginning after June 15, 2016.

Pending Adoption of Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

GASB Statement No. 87 – In June 2017, GASB issued GASB Statement No. 87 – *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments 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. The Statement is effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Reclassifications – Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications did not affect the financial position or changes in net position as previously reported.