

**Rankin County Hospital District  
Rankin, Texas**

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

# **→ DURBIN & CO.**

Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

Management and the Board of Directors  
Rankin County Hospital District  
Rankin, Texas 79778

We have audited the accompanying statement of net position of Rankin County Hospital District, (the "District"), as of and for the years ended September 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and statements of cash flows, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the 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 District'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rankin County Hospital District, as of September 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and defined benefit plan information on pages A-1 through A-5 and pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

*Durbin & Company, L.L.P.*

Durbin & Company, L. L. P.  
Lubbock, Texas  
March 20, 2018

**Rankin County Hospital District  
Rankin, Texas**

**Management's Discussion and Analysis**

**For the Years Ended  
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**RANKIN COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
AND FINANCIAL STATEMENTS  
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Unaudited**

Our discussion and analysis of Rankin County Hospital District's financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2017 and 2016. Please read it in conjunction with the District's financial statements, which begin on page 1. Rankin County Hospital District is a political subdivision authorized by the State of Texas. The District's enabling legislation does include the ability to assess taxes.

**FINANCIAL HIGHLIGHTS**

- The District's net position reflects a \$1,111,833, or 20.2%, increase in 2017 and a \$782,980, or 16.6%, increase in 2016, respectively.
- Net Patient Service Revenue increased by \$442,631, or 8.2%, in fiscal year 2017 compared to an increase \$2,846,663, or 112.0%, for fiscal year 2016.
- Total operating expense increased \$609,654, or 5.8%, in 2017 and increased \$481,344, or 4.8%, in 2016.
- The District reported operating losses in both 2017 and 2016 of (\$4,396,021) and (\$4,278,279), respectively.

**USING THIS ANNUAL REPORT**

The District's financial statements consist of three statements, a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

**The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**RANKIN COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
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**USING THIS ANNUAL REPORT – (CONTINUED)**

**The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from? “What was cash used for?” and “What was the change in cash balance during the reporting period?”

**THE DISTRICT’S NET POSITION**

The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 1. The District’s net position increased by \$1,111,833, or 20.2%, in 2017 and \$782,980, or 16.6%, in 2016, as you can see from **Table 1**.

**Table 1: Assets, Liabilities, and Net Position**

	2017	2016	2015
<b>Assets and Deferred Outflows of Resources:</b>			
Current Assets	\$ 6,463,874	\$ 7,244,184	\$ 2,674,956
Capital Assets (Net)	24,190,706	24,499,216	24,919,268
Deferred Outflows of Resources	580,056	661,887	273,397
Other Non-Current Assets	587,311	667,418	5,400,464
Total Assets and Deferred Outflows of Resources	<u>\$ 31,821,947</u>	<u>\$ 33,072,705</u>	<u>\$ 33,268,085</u>
<b>Liabilities and Deferred Inflows of Resources:</b>			
Long-Term Debt Outstanding	\$ 22,377,937	\$ 23,277,062	\$ 24,334,916
Deferred Inflows of Resources	347,141	347,114	-
Other Current and Non-Current	2,490,794	3,954,287	4,221,907
Total Liabilities and Deferred Inflows of Resources	25,215,872	27,578,463	28,556,823
<b>Net Position:</b>			
Net Investment in Capital Assets	1,812,769	1,222,154	584,352
Unrestricted	4,793,306	4,272,088	4,126,910
<b>Total Net Position</b>	<u>6,606,075</u>	<u>5,494,242</u>	<u>4,711,262</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 31,821,947</u>	<u>\$ 33,072,705</u>	<u>\$ 33,268,085</u>

A significant component of the change in the District’s net position is a decrease in cash and investments of approximately \$747,000. Total operating revenues increased approximately \$492,000

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while total operating expenses, not including depreciation and amortization, increased approximately \$779,000.

**OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION**

In 2017 and 2016, the District's net position increased \$1,111,833 and \$782,980, respectively. This increase is made up of different components, as you can see from **Table 2**.

**Table 2: Operating Results and Changes in Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Net Patient Service Revenue	\$ 5,830,895	\$ 5,388,264	\$ 2,541,601
Other Operating Revenue	817,875	768,594	234,678
Total Operating Revenue	<u>6,648,770</u>	<u>6,156,858</u>	<u>2,776,279</u>
Operating Expenses:			
Salaries and Benefits	6,518,508	5,952,876	6,201,532
Other Operating Expenses	3,102,011	2,888,318	2,965,894
Depreciation / Amortization	1,424,272	1,593,943	786,367
Total Operating Expenses	<u>11,044,791</u>	<u>10,435,137</u>	<u>9,953,793</u>
Operating Income (Loss)	(4,396,021)	(4,278,279)	(7,177,514)
Nonoperating Revenues (Expenses):			
Property Tax Revenue	6,342,802	5,920,782	5,741,073
Noncapital Grants and Contributions	9,258	20,270	73,140
Investment Income	15,699	39,953	8,661
Interest Expense	(859,905)	(890,804)	(6,795)
Gain (Loss) on Disposal of Assets	-	(28,942)	-
Total Nonoperating Revenues (Expenses)	<u>5,507,854</u>	<u>5,061,259</u>	<u>5,816,079</u>
Increase (Decrease) in Net Position	1,111,833	782,980	(1,361,435)
Net Position, Beginning of Year	<u>5,494,242</u>	<u>4,711,262</u>	<u>6,072,697</u>
Net Position, End of Year	<u>\$ 6,606,075</u>	<u>\$ 5,494,242</u>	<u>\$ 4,711,262</u>

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**Operating Losses**

The primary component of the overall change in the District's net position is its' operating income (loss) – generally, the difference between net patient service revenue and the expenses incurred to perform those services. In 2017, the District reported an operating loss of (\$4,396,021), which is an increase of (\$117,742) from the operating loss reported in 2016 of (\$4,278,279). The operating loss reported in 2016 decreased \$2,899,235 from the operating loss reported in 2015 of (7,177,514).

The primary components of the increase in the operating loss in 2017 are:

- A favorable increase in net patient service revenue of \$442,631, or 8.2%
- A favorable increase in other operating revenues of \$49,281, or 6.4%
- An unfavorable increase in salaries and benefits expenses of \$565,632, or 9.5%
- An unfavorable increase in other operating expenses of \$213,693, or 7.4%

The primary components of the decrease in operating loss in 2016 are:

- A favorable increase in net patient service revenue of \$2,846,663, or 112.0%
- A favorable decrease in salaries and benefits of (\$248,656) or (4.0%).
- A favorable increase in other operating revenues of \$533,916 or 227.5%

**Non-operating Revenues and Expenses**

Non-operating revenues and expenses consist primarily of property tax revenues, grants and contributions, investment income, interest expense, and gain (loss) on disposal of assets.

The District's tax revenues increased by \$422,020, or 7.1%, and \$179,709, or 3.1%, in 2017 and 2016, respectively.

**Grants, Contributions and Endowments**

The District did not receive capital grants or contributions in 2017 and 2016. Noncapital grants and contributions received in 2017 and 2016 were \$9,258 and \$20,270 respectively.

**THE DISTRICT'S CASH FLOWS**

Changes in the District's cash flows are consistent with changes in operating income and non-operating revenues and expenses discussed earlier.



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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of September 30, 2017, the District had \$24,190,706 invested in capital assets, net of accumulated depreciation, as detailed in Note 8 of the financial statements, compared to \$24,499,216 in 2016. The District purchased capital assets in the amount of \$1,127,711 and \$1,293,033 in 2017 and 2016, respectively. Construction in progress at 2017 and 2016 was \$1,808,993 and \$849,317, respectively. Depreciation and amortization expense totaled \$1,424,272 and \$1,593,943 in 2017 and 2016, respectively.

**DEBT**

At the end of 2017, the District had long term debt outstanding of \$22,377,937 , as detailed in Note 9 of the financial statements, compared to \$23,277,062 in 2016.

**OTHER ECONOMIC FACTORS**

The District has a significant Medicare and Medicaid utilization. Total Medicare and Medicaid inpatient utilization is 59.4% in 2017 compared with 46.2% in 2016. Changes in State and Federal reimbursement methodologies continue to have a significant effect on the District's operating income.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our patients, suppliers, community and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administration offices at Rankin County Hospital District, 1611 Spur 576, Rankin, Texas 79778.