

Maverick County Hospital District

Independent Auditor's Report and Financial Statements

August 31, 2016 and 2015



Maverick County Hospital District
August 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors
Maverick County Hospital District
Eagle Pass, Texas

We have audited the accompanying balance sheets of Maverick County Hospital District (District), as of August 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, 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 audits. We conducted our audits 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 entity'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 entity'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 the District as of August 31, 2016 and 2015, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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

BKD, LLP

Dallas, Texas
February 28, 2017

Maverick County Hospital District

Management's Discussion and Analysis

Years Ended August 31, 2016 and 2015

Introduction

This management's discussion and analysis of the financial performance of Maverick County Hospital District (District) provides an overview of the District's financial activities for the years ended August 31, 2016 and 2015. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Cash and investments increased in 2016 by \$200,208, or 1.1%, and decreased in 2015 by \$502,239, or 2.7%.
- The District's net position decreased in 2016 by \$1,079,749, or 4.2%, and increased in 2015 by \$370,374, or 1.5%.
- The District reported an operating loss in 2016 of \$3,013,355 and an operating loss in 2015 of \$2,357,251. The operating loss increased in 2016 by \$656,104, or 27.8%.
- Net nonoperating revenues increased by \$181,585, or 10.4%, in 2016 compared to 2015 and increased by \$1,083,124, or 161.92%, in 2015 compared to 2014.

Using This Annual Report

The District's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any District's finances is "Is the District as a whole better or worse off as a result of the year's activities?" The Balance Sheet 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, all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that 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 it. The District's total net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the District.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of 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 and cash equivalents during the reporting period.

The District's Net Position

The District's net position is the difference between the sum of its assets and deferred outflows of resources, and its liabilities and deferred inflows of resources as reported in the balance sheets. The District's net position decreased by \$1,079,749, or 4.2%, in 2016 over 2015 and increased by \$370,374, or 1.5%, in 2015 over 2014 as shown in *Table 1*.

Table 1: Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2016	2015	2014
Assets			
Cash and cash equivalents	\$ 2,524,428	\$ 1,443,084	\$ 3,370,617
Investments	15,890,785	16,771,921	15,346,627
Receivables and other assets, net	1,473,477	2,183,193	1,702,091
Capital assets, net	4,791,355	4,795,909	5,372,024
Net pension asset	587,244	828,559	-
Total assets	25,267,289	26,022,666	25,791,359
Deferred Outflows of Resources - Pensions	450,090	130,881	-
Total assets and deferred outflows of resources	\$ 25,717,379	\$ 26,153,547	\$ 25,791,359
Liabilities and Long-term Debt	\$ 953,965	\$ 416,825	\$ 430,513
Deferred Inflows of Resources - Pensions	111,943	5,502	-
Net Position			
Net investment in capital assets	4,583,454	4,795,909	5,372,024
Restricted for pension	587,244	828,559	-
Unrestricted	19,480,773	20,106,752	19,988,822
Total net position	24,651,471	25,731,220	25,360,846
Total liabilities, deferred inflows of resources and net position	\$ 25,717,379	\$ 26,153,547	\$ 25,791,359

A significant change in the District's assets in 2016 as compared to 2015, is the decrease in patient accounts receivable and prepaid expenses and other current assets. Patient accounts receivable, net, decreased in 2016 by \$391,014, or 49.8%, primarily as a result of decreased collectability expected on patient account balances. Prepaid expenses and other current assets decreased by \$317,302 or 63.3% in 2016 as a result of collecting an outstanding receivable related to the sale of certain capital assets.

Effective September 1, 2014, the District changed its method of accounting pension plans in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, as amended* (GASB 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result of the adoption of GASB 68, the District recognized a net pension asset which was approximately \$829,000 at August 31, 2015. The District’s 2014 financial statements were not restated for GASB 68.

Operating Results and Changes in the District's Net Position

The following table presents a summary of the District’s revenues and expenses for each of the years ended August 31, 2016, 2015 and 2014.

Table 2: Operating Results and Changes in Net Position

	2016	2015	2014
Operating Revenues			
Net patient service revenue	\$ 2,399,920	\$ 3,047,605	3,310,544
Other	788,313	623,309	495,890
Total operating revenues	<u>3,188,233</u>	<u>3,670,914</u>	<u>3,806,434</u>
Operating Expenses			
Salaries and wages and employee benefits	3,123,590	3,043,904	3,085,143
Purchased services and professional fees	1,312,061	1,039,527	933,323
Depreciation and amortization	266,694	449,375	436,236
Supplies and other	1,499,243	1,495,359	1,887,411
Total operating expenses	<u>6,201,588</u>	<u>6,028,165</u>	<u>6,342,113</u>
Operating Loss	<u>(3,013,355)</u>	<u>(2,357,251)</u>	<u>(2,535,679)</u>
Nonoperating Revenues (Expenses)			
Property taxes	2,198,240	1,977,941	1,627,713
Investment income	182,047	181,470	193,295
Noncapital grants	534,494	532,686	520,116
Tobacco settlement	69,269	59,686	44,906
Indigent care and Medicaid waiver payments	(1,050,444)	(999,762)	(1,717,133)
Total nonoperating revenues	<u>1,933,606</u>	<u>1,752,021</u>	<u>668,897</u>
Decrease in Net Position	<u>\$ (1,079,749)</u>	<u>\$ (605,230)</u>	<u>\$ (1,866,782)</u>

Operating Losses

The first component of the overall change in the District's net position is its operating income or loss—the difference between operating revenues and the expenses incurred to perform those services. In 2016, 2015 and 2014, the District reported operating losses. This is consistent with the District’s recent operating history as the District was formed and is operated primarily to support health care for low income residents in Maverick County. The District levies property taxes to provide sufficient resources to support that mission.

The operating loss for 2016 increased by \$656,104, or 27.8%, as compared to the operating loss in 2015. The primary component of the change in the operating loss in 2016 loss is the decrease in operating revenues of approximately \$483,000, which is primarily attributable to a decline in net patient service revenue as a result of decreased collections and payer mix. The operating loss for 2015 decreased by \$178,428, or 7.0%, as compared to the operating loss in 2014.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, investment income, noncapital grants, and indigent care and Medicaid waiver related payments. Total nonoperating revenues and expenses increased by \$181,585, or 10.4%, between 2016 and 2015. The increase was primarily due to an increase in property tax revenue of approximately \$220,000.

Nonoperating revenues and expenses increased in 2015 as compared to 2014 by \$1,083,124, or 161.9%. The increase was primarily due to a decrease in indigent care and Medicaid waiver related payments of approximately \$717,000 and an increase in property tax revenue of approximately \$350,000.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2016, 2015 and 2014 discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2016, the District had \$4,791,355 invested in capital assets, net of accumulated depreciation. In 2016, the District purchased new equipment costing approximately \$262,000. Effective September 1, 2015, the estimated useful life of the District building structure was extended to forty years, in recognition of the District's decision to continue use of the building beyond the period in which it would become fully depreciated under the estimated useful lives in effect at August 31, 2015. The effect of this change was to reduce depreciation and amortization and to increase change in net position for 2016 by approximately \$176,000.

At the end of 2015, the District had \$4,795,909 invested in capital assets, net of accumulated depreciation. In 2015, the District purchased new equipment costing approximately \$50,000, and sold a building with a cost of \$310,980 and accumulated depreciation of \$145,660, as well as equipment with an approximate cost of \$87,000 and \$77,000 in accumulated depreciation.

Debt

At August 31, 2016, the District had \$43,721 in capital lease obligations outstanding. The District had no debt at August 31, 2015 or 2014.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Maverick County Hospital District at 3406 Bob Rogers Drive Suite 250, Eagle Pass, TX 78852.

Maverick County Hospital District
Balance Sheets
August 31, 2016 and 2015

Assets and Deferred Outflows of Resources

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 2,524,428	\$ 1,443,084
Short-term investments	6,569,481	3,703,019
Patient accounts receivable, net of allowance; 2016—\$598,000, 2015—\$726,000	394,418	785,432
Property taxes receivable, net of allowance; 2016 and 2015—\$377,000	307,268	297,589
Other receivables, net of allowance; 2016—\$356,000, 2015—\$343,000	587,761	598,840
Prepaid expenses and other	184,030	501,332
Total current assets	10,567,386	7,329,296
Noncurrent Cash and Investments	9,321,304	13,068,902
Capital Assets, Net	4,791,355	4,795,909
Net Pension Asset	587,244	828,559
Total assets	25,267,289	26,022,666
Deferred Outflows of Resources - Pensions	450,090	130,881
Total assets and deferred outflows of resources	\$ 25,717,379	\$ 26,153,547

Liabilities, Deferred Inflows of Resources, and Net Position

	<u>2016</u>	<u>2015</u>
Current Liabilities		
Current maturities of long-term debt	\$ 28,483	\$ -
Accounts payable	452,619	238,838
Accrued expenses - intergovernmental transfer	255,404	-
Accrued salaries, wages and compensated absences	<u>202,221</u>	<u>177,987</u>
Total current liabilities	938,727	416,825
Long-term debt	<u>15,238</u>	<u>-</u>
Total liabilities	<u>953,965</u>	<u>416,825</u>
Deferred Inflows of Resources - Pensions	<u>111,943</u>	<u>5,502</u>
Net Position		
Net investment in capital assets	4,583,454	4,795,909
Restricted for pension	587,244	828,559
Unrestricted	<u>19,480,773</u>	<u>20,106,752</u>
Total net position	<u>24,651,471</u>	<u>25,731,220</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 25,717,379</u>	<u>\$ 26,153,547</u>

Maverick County Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2016 and 2015

	2016	2015
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2016—\$109,000, 2015—\$144,000	\$ 2,399,920	\$ 3,047,605
Other	788,313	623,309
Total operating revenues	3,188,233	3,670,914
Operating Expenses		
Salaries and wages	2,556,470	2,540,952
Employee benefits	567,120	502,952
Purchased services and professional fees	1,312,061	1,039,527
Supplies and other	1,437,960	1,416,164
Professional liability insurance expense	61,283	79,195
Depreciation and amortization	266,694	449,375
Total operating expenses	6,201,588	6,028,165
Operating Loss	(3,013,355)	(2,357,251)
Nonoperating Revenues (Expenses)		
Property taxes	2,198,240	1,977,941
Investment income	182,047	181,470
Noncapital grants and gifts	534,494	532,686
Tobacco settlement	69,269	59,686
Indigent care and Medicaid waiver payments	(1,050,444)	(999,762)
Total nonoperating revenues	1,933,606	1,752,021
Decrease in Net Position	(1,079,749)	(605,230)
Net Position, Beginning of Year	25,731,220	26,336,450
Net Position, End of Year	\$ 24,651,471	\$ 25,731,220

Maverick County Hospital District
Statements of Cash Flows
Years Ended August 31, 2016 and 2015

	2016	2015
Operating Activities		
Receipts from and on behalf of patients and program participants	\$ 2,584,972	\$ 2,686,113
Payments to suppliers	(2,812,009)	(2,495,327)
Payments to employees	(3,070,809)	(3,085,612)
Other (payments) receipts, net	738,337	431,942
Net cash used in operating activities	(2,559,509)	(2,462,884)
Noncapital Financing Activities		
Property taxes supporting operations	2,188,561	1,957,816
Proceeds received from tobacco settlement	69,269	59,686
Noncapital grants and gifts	570,802	532,686
Medicaid waiver program payments	(551,826)	(721,361)
Net cash provided by noncapital financing activities	2,276,806	1,828,827
Capital and Related Financing Activities		
Principal paid on long-term debt	(13,255)	-
Proceeds from sale of capital assets	367,608	-
Purchase of capital assets	(40,984)	(49,652)
Net cash provided by (used in) capital and related financing activities	313,369	(49,652)
Investing Activities		
Investment income	169,542	181,470
Purchase of investments	(13,968,414)	(7,130,295)
Proceeds from sale of investments	14,849,550	5,705,001
Net cash provided by (used in) investing activities	1,050,678	(1,243,824)
Increase (Decrease) in Cash and Cash Equivalents	1,081,344	(1,927,533)
Cash and Cash Equivalents, Beginning of Year	1,443,084	3,370,617
Cash and Cash Equivalents, End of Year	\$ 2,524,428	\$ 1,443,084

Maverick County Hospital District
Statements of Cash Flows (Continued)
Years Ended August 31, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (3,013,355)	\$ (2,357,251)
Depreciation and amortization	266,694	449,375
Gain on sale of capital asset	-	(188,812)
Changes in operating assets and liabilities		
Patient accounts receivable and other, net	135,076	(253,253)
Accounts payable and accrued expenses	73,835	(99,403)
Other assets and liabilities	(21,759)	(13,540)
Net cash used in operating activities	\$ (2,559,509)	\$ (2,462,884)
Supplemental Cash Flows Information		
Proceeds due from sale of building	\$ -	\$ 367,608
Capital lease obligation incurred for capital assets	\$ 56,976	\$ -
Capital assets acquisitions included in accounts payable	\$ 164,180	\$ -

Maverick County Hospital District

Notes to Financial Statements

August 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Maverick County Hospital District is a political subdivision of the state of Texas. The District is controlled by a five-member board of governors elected by the public. The purpose of the District is to provide medical services to residents of Maverick County through support of indigent care programs by area medical care providers and to provide educational services through direct community involvement. The District also recruits physicians of various specialties to Maverick County in an effort to expand the range of medical services in Maverick County.

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes and investment income are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At August 31, 2016 and 2015, cash equivalents consisted of investments in public fund investment pools that included funds used for operations.

Property Taxes

The District received approximately 36% in 2016 and 31% in 2015 of its financial support from property taxes. These funds were used to support operations.

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

The District's property tax rate was \$.0900 and \$.0800 per \$100 valuation for the years ending August 31, 2016 and 2015, respectively. Property tax revenue totaled \$2,198,240 and \$1,977,941 for 2016 and 2015, respectively.

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 disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice claims. Settled claims have not exceeded this commercial coverage in any of the three preceding periods.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

Land improvements	7-15 years
Buildings and improvements	25-40 years
Equipment	3-10 years

Maverick County Hospital District

Notes to Financial Statements

August 31, 2016 and 2015

Effective September 1, 2015, the estimated useful life of the District building structure was extended to forty years, in recognition of the District's decision to continue use of the building beyond the period in which it would become fully depreciated under the estimated useful lives in effect at August 31, 2015. The effect of this change was to reduce depreciation and amortization and to increase change in net position for 2016 by approximately \$176,000.

Defined Benefit Pension Plan

The District provides pension benefits to its employees through an agent multiple-employer defined benefit pension plan operated by the Texas County and District Retirement System (Plan). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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 of Resources

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

Deferred Inflows of Resources

The District reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Compensated Absences

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expenses when the time off occurs and no liability is accrued for such benefits employees have earned, but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted for pension represents assets restricted for providing contributions to the agent multiple-employer defined benefit pension plan which provides pensions in accordance with the benefit terms of the plan.

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

Net patient service revenue is derived from services of physicians employed by the District. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods, as adjustments become known. The District's physician group provided approximately \$243,000 and \$278,000 in indigent care to participants in the District's indigent care program in 2016 and 2015, respectively.

Net patient service revenue also includes revenue from the collection of coinsurance or cost-sharing payments from individuals who receive medical care under the District's indigent care program. These payments are based on a sliding scale of federal poverty guidelines.

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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Indigent Care

As discussed in *Note 1*, the primary purpose of the District is to provide medical services to residents of Maverick County. This is done through support of indigent care programs at area medical providers. As part of its mission of providing indigent care to citizens of Maverick County, the District participates in the Medicaid Section 1115(a) Waiver program, a program designed to benefit hospitals that service low income and indigent patients. As part of the program, certain governmental entities, including hospital districts, advance funds which are matched with federal funding. Based on specific requirements, all funds are then disbursed to providers throughout Texas. In connection with this program, the District transferred funds in the amount of \$807,230 and \$721,361 for the years ended August 31, 2016 and 2015, respectively.

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Note 3: Deposits and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At August 31, 2016 and 2015, the District's deposits were either insured or collateralized in accordance with state law.

Investments

The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, and in bank repurchase agreements.

At August 31, 2016 and 2015, the District had the following investments and maturities:

Type	August 31, 2016		
	Fair Value	Maturities in Years	
		Less than 1	1-5
U.S. agencies obligations	\$ 4,747,047	\$ -	\$ 4,747,047
Municipal bonds	1,676,753	-	1,676,753
Certificates of deposit	8,570,625	5,673,121	2,897,504
Texas Class Investment Pool	1,182,605	1,182,605	-
Commercial paper	896,360	896,360	-
	<u>\$ 17,073,390</u>	<u>\$ 7,752,086</u>	<u>\$ 9,321,304</u>

Type	August 31, 2015		
	Fair Value	Maturities in Years	
		Less than 1	1-5
U.S. agencies obligations	\$ 7,415,496	\$ -	\$ 7,415,496
Certificates of deposit	1,205,264	2,700,000	-
Texas Class Investment Pool	200,965	200,965	-
	<u>\$ 8,821,725</u>	<u>\$ 2,900,965</u>	<u>\$ 7,415,496</u>

Maverick County Hospital District

Notes to Financial Statements

August 31, 2016 and 2015

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy requires that total investments have a weighted-average maturity of five years or less. The District’s investments in U.S. agency obligations include fixed-rate notes and bonds with a weighted average maturity of three years.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District’s policy to limit its investments to U.S. Treasury and agency obligations or otherwise follow the restrictions of the *Texas Public Funds Investment Act*. The debt securities of the U.S agencies are rated AA+ by Standard & Poor’s rating agency. The District’s investments in municipal bonds were rated AA by Standard & Poor’s rating agency.

The District also utilizes a pooled investment concept for its funds to maximize its investment program by investing in TexCLASS, which is an investment pool authorized by the Texas Legislature. The Texas Treasury Safekeeping Trust Company is the trustee and is a limited purpose trust company authorized pursuant to Texas Government Code. The pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the pools shares.

The District also invests in certificates of deposit, which are classified as investments for financial reporting purposes. These certificates of deposit are fully collateralized by the various financial institutions.

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. All of the District’s investments are held in safekeeping or trust accounts.

Concentration of Credit Risk – As a means of limiting the risk of loss resulting from over concentration of assets in any one issuer, it is the District’s policy to diversify investment holdings to provide for stability of income and reasonable liquidity.

The following table reflects the District’s investments in single issuers that represent more than 5% of total investments at August 31, 2016 and 2015.

	2016	2015
Federal Home Loan Bank	6%	22%
Federal National Mortgage Association	3%	11%
Federal Farm Credit Bank	13%	34%
Federal Home Loan Mortgage Corporation	8%	16%

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2016	2015
Carrying value		
Deposits	\$ 1,341,823	\$ 9,393,280
Investments	17,073,390	8,821,725
	\$ 18,415,213	\$ 18,215,005
 Included in the following balance sheet captions		
Cash and cash equivalents	\$ 2,524,428	\$ 1,443,084
Short-term investments	6,569,481	3,703,019
Noncurrent cash and investments	9,321,304	13,068,902
	\$ 18,415,213	\$ 18,215,005

Investment Income

Investment income consisted of interest income of \$182,047 and \$181,470 for the years ended August 31, 2016 and 2015, respectively.

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Note 4: Capital Assets

Capital assets activity for the years ended August 31, was:

	2016			
	Beginning Balance	Additions	Disposals	Ending Balance
Land improvements	\$ 94,480	\$ -	\$ -	\$ 94,480
Buildings and improvements	7,168,966	-	-	7,168,966
Equipment	1,438,270	262,140	-	1,700,410
	<u>8,701,716</u>	<u>262,140</u>	<u>-</u>	<u>8,963,856</u>
Less accumulated depreciation:				
Land improvements	34,463	8,035	-	42,498
Buildings and improvements	2,717,700	162,992	-	2,880,692
Equipment	1,153,644	95,667	-	1,249,311
	<u>3,905,807</u>	<u>266,694</u>	<u>-</u>	<u>4,172,501</u>
Capital assets, net	<u>\$ 4,795,909</u>	<u>\$ (4,554)</u>	<u>\$ -</u>	<u>\$ 4,791,355</u>
	2015			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 94,500	\$ -	\$ (94,500)	\$ -
Land improvements	144,240	-	(49,760)	94,480
Buildings and improvements	7,335,686	-	(166,719)	7,168,967
Equipment	1,476,103	49,652	(87,485)	1,438,270
	<u>9,050,529</u>	<u>49,652</u>	<u>(398,464)</u>	<u>8,701,717</u>
Less accumulated depreciation:				
Land improvements	70,983	8,828	(45,348)	34,463
Buildings and improvements	2,462,058	355,955	(100,312)	2,717,701
Equipment	1,145,464	84,592	(76,412)	1,153,644
	<u>3,678,505</u>	<u>449,375</u>	<u>(222,072)</u>	<u>3,905,808</u>
Capital assets, net	<u>\$ 5,372,024</u>	<u>\$ (399,723)</u>	<u>\$ (176,392)</u>	<u>\$ 4,795,909</u>

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Note 5: Risk Management

General Liability Risks

The District participates in the Texas Municipal League Intergovernmental Risk Pool (Pool), currently operating as a common risk management and insurance program for its members. The District pays an annual premium to the Pool for its general liability torts insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums.

Medical Malpractice Risks

The District is a unit of government covered by the Texas Tort Claims Acts (TTCA) which, by statute, limits its malpractice liability to \$100,000 per person and \$300,000 per occurrence. The District was self-insured for medical malpractice risks until June 30, 2011, at which time, the District was insured by a third party, up to the limits established by the TTCA, related to incidents prior to the sale of the hospital. To cover such risks, the District purchases medical malpractice insurance under an occurrence-basis policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 6: Operating Leases

The District leases office space in its medical office building to unrelated parties. All of the District's existing leases are cancellable with 30 days prior written notice. Rental income was approximately \$226,000 and \$218,000 for 2016 and 2015, respectively, and is recognized as a component of other operating revenue in the statements of revenues, expenses and changes in net position.

Note 7: Pension Plan

Plan Description

The District contributes to the Texas County and District Retirement System (TCDRS), an agent multiple-employer defined benefit pension plan covering substantially all employees. 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

Maverick County Hospital District
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calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or from the website 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 the TCDRS.

Members can retire at ages 60 and above with eight or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after eight years but must leave his accumulated contributions in the Plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump sum, he is not entitled to any amounts contributed by the employer.

The Plan has been adopted in lieu of the normal requirement that employers contribute to the social security program (other than for the Medicare portion).

The employees covered by the Plan at December 31 (measurement date) are:

	2015	2014
Inactive employees or beneficiaries currently receiving benefits	2	1
Inactive employees entitled to but not yet receiving benefits	43	31
Active employees	44	45
	89	77

Maverick County Hospital District

Notes to Financial Statements

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Contributions

The District's governing body 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 6% 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 year ended August 31, 2016, employees contributed \$141,485, or 5.5% of annual pay and the District contributed \$104,205, or 4.1% of annual pay. For the year ended August 31, 2015, employees contributed \$132,936, or 5.4% of annual pay, and the District contributed \$105,356, or 4.3% of annual pay, to the Plan.

Net Pension Asset

The District's net pension asset as of August 31, 2016 and 2015, was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension asset was determined by actuarial valuations as of these dates.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.9% average over career, including inflation
Ad hoc cost of living adjustments	Not included
Investment rate of return	8.1%, net of investment expenses

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table with a four-year setback for females and a two-year set-forward for males, as appropriate, with adjustments for mortality improvements based on the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5%
Ad hoc cost of living adjustments	Not included
Investment rate of return	8.1%, net of investment expenses

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality

Maverick County Hospital District
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August 31, 2016 and 2015

Table with a four-year setback for females and a two-year set-forward for males, as appropriate, with adjustments for mortality improvements based on the projection scale AA.

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 through December 31, 2012. The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of geometric rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equities		
U.S. Equities	14.5%	5.5%
International Equities — Developed	10.0%	5.5%
International Equities — Emerging	8.0%	6.5%
Global Equities	1.5%	5.8%
Hedge Funds	25.0%	5.3%
High-Yield Investments		
High-Yield Bonds	3.0%	5.1%
Opportunistic Credit	2.0%	5.1%
Distressed Debt	3.0%	8.1%
Direct Lending	5.0%	6.4%
Private Equity	14.0%	8.5%
Real Assets		
REITs	3.0%	4.0%
Private Real Estate Partnerships	5.0%	6.9%
Master Limited Partnerships	3.0%	6.8%
Investment-Grade Bonds	3.0%	1.0%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 8.1% 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.

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Changes in the total pension liability, plan fiduciary net position and the net pension asset for the years end August 31, 2016 and 2015 are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at August 31, 2015	\$ 2,566,056	\$ 3,394,615	\$ (828,559)
Changes for the year:			
Service cost	307,603	-	307,603
Interest on total pension liability	216,704	-	216,704
Effect of plan changes	(49,031)	-	(49,031)
Effect of economic/demographic gains or losses	(128,830)	-	(128,830)
Effect of assumptions, changes or inputs	32,490	-	32,490
Refund of contributions	(43,216)	(43,216)	-
Benefit payments	(24,907)	(24,907)	-
Administrative expenses	-	(2,482)	2,482
Member contributions	-	131,899	(131,899)
Net investment income	-	(106,675)	106,675
Employer contributions	-	111,235	(111,235)
Other changes	-	3,644	(3,644)
Net changes	310,813	69,498	241,315
Balances at August 31, 2016	\$ 2,876,869	\$ 3,464,113	\$ (587,244)

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at August 31, 2014	\$ 2,118,743	\$ 3,025,944	\$ (907,201)
Changes for the year:			
Service cost	332,561	-	332,561
Interest on total pension liability	182,393	-	182,393
Effect of economic/demographic gains or losses	(6,419)	-	(6,419)
Refund of contributions	(45,766)	(45,766)	-
Benefit payments	(15,456)	(15,456)	-
Administrative expenses	-	(2,482)	2,482
Member contributions	-	134,761	(134,761)
Net investment income	-	197,186	(197,186)
Employer contributions	-	88,493	(88,493)
Other changes	-	11,935	(11,935)
Net changes	447,313	368,671	78,642
Balances at August 31, 2015	\$ 2,566,056	\$ 3,394,615	\$ (828,559)

The District's net pension asset has been calculated using a discount rate of 8.1%. The following table presents the net pension asset using a discount rate 1% higher and 1% lower than the current rate:

	2016		
	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
District's net pension asset	\$ (173,264)	\$ (587,244)	\$ (929,170)

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended August 31, 2016 and 2015, the District recognized pension expense of approximately \$130,000 and \$122,000, respectively. At August 31, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 111,943
Changes of assumptions	27,075	
Net difference between projected and actual earnings on plan investments	347,219	-
Contributions subsequent to the measurement date	75,796	-
	\$ 450,090	\$ 111,943
	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,502
Net difference between projected and actual earnings on plan investments	45,767	-
Contributions subsequent to the measurement date	85,114	-
	\$ 130,881	\$ 5,502

Maverick County Hospital District
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At August 31, 2016 and 2015, the District reported \$75,796 and \$85,114, respectively, as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset at August 31, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at August 31, 2016, related to pensions will be recognized in pension expense as follows:

Year ending August 31:

	\$	72,692
2017		72,692
2018		72,692
2019		72,692
2020		61,250
2021		(16,975)
		\$ 262,351

Pension Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2015.

Note 8: Capital Lease Obligation

During 2016, the District entered into an agreement for a piece of equipment that is accounted for as capital lease. Under the terms of the agreement, interest is not being charged to the District. Payments of \$2,373 are due in equal installments through March 2018.

The following is a summary of capital lease obligation transactions for the year ended August 31, 2016:

Beginning balance	\$	-
Additions		56,976
Deductions		(13,255)
		\$ 43,721

Note 9: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2016 and 2015:

Maverick County Hospital District
Notes to Financial Statements
August 31, 2016 and 2015

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2016				
Investments by fair value level				
U.S. agency obligations	\$ 4,747,047	\$ -	\$ 4,747,047	\$ -
Municipal bonds	1,676,753	-	1,676,753	-
Commercial paper	896,360	-	896,360	-
Total investments by fair value level	7,320,160	\$ -	\$ 7,320,160	\$ -
Investments measured at net asset value				
Texas Class Investment Pool	1,182,605			
Certificates of deposit	<u>8,570,625</u>			
Total investments	<u>\$ 17,073,390</u>			

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2015				
Investments by fair value level				
U.S. agency obligations	\$ 7,415,496	\$ 7,415,496	\$ -	\$ -
Investments measured at net asset value				
Texas Class Investment Pool	200,965			
Certificates of deposit	<u>1,205,264</u>			
Total investments	<u>\$ 8,821,725</u>			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities

Maverick County Hospital District

Notes to Financial Statements

August 31, 2016 and 2015

are classified within Level 3 of the hierarchy. At August 31, 2016 and 2015, no investments were held by the District meeting the Level 3 hierarchy classification.

Investment in State Investment Pool – During 2016 and 2015, the District invested in Texas CLASS, a public fund investment pool. Investments in the pool is not categorized in accordance with GASB Statement No. 3 disclosure requirements since the District has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pool. The fair value of the position of the pool is measured at net asset value and is designed to approximate the share value. The pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Note 10: Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Required Supplementary Information

Maverick County Hospital District

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

	2016	2015
Total pension liability		
Service cost	\$ 307,603	\$ 332,561
Interest on total pension liability	216,704	182,393
Effect of plan changes	(49,031)	-
Effect of assumption changes or inputs	32,490	-
Effect of economic and demographic (gains) or losses	(128,830)	(6,419)
Benefit payments, including refunds of employee contributions	(68,123)	(61,222)
Net change in total pension liability	310,813	447,313
Total pension liability—beginning	2,566,056	2,118,743
Total pension liability—ending (a)	\$ 2,876,869	\$ 2,566,056
Plan fiduciary net position		
Contributions—employer	\$ 111,235	\$ 88,493
Contributions—employee	131,899	134,761
Net investment income	(106,675)	197,186
Benefit payments, including refunds of employee contributions	(68,123)	(61,222)
Administrative expense	(2,482)	(2,482)
Other	3,644	11,935
Net change in plan fiduciary net position	69,498	368,671
Plan fiduciary net position—beginning	3,394,615	3,025,944
Plan fiduciary net position—ending (b)	\$ 3,464,113	\$ 3,394,615
District's net pension asset—ending (a) – (b)	\$ (587,244)	\$ (828,559)
Plan fiduciary net position as a percentage of the total pension asset	120.41%	132.29%
Covered-employee payroll	\$ 2,198,316	\$ 2,246,025
District's net pension asset as a percentage of covered-employee payroll	-26.71%	-36.89%

Notes to Schedule:

Changes of assumptions:

1. Rate of salary increase changed to 4.9% from 3.5%.
2. 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.

This schedule is presented to illustrate the requirement 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. Information presented in this schedule has been determined as of the measurement date (December 31) of the net pension asset in accordance with GASB 68.

Maverick County Hospital District Schedule of District Contributions

Year Ending August 31,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll (1)	Contributions as a percentage of covered-employee payroll
2016	\$ 104,205	\$ 104,205	\$ -	\$ 2,571,786	4.1%
2015	\$ 105,356	\$ 105,356	\$ -	\$ 2,465,973	4.3%

Notes to Schedule:

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

Valuation date:

Actuarially determined contribution rates are calculated as of 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 normal cost
Amortization method	Closed
Remaining amortization period	0.0 years
Asset valuation method	5-year smoothed non-asymptotic market
Inflation	3%
Salary increases	4.9% average over career, including inflation
Investment rate of return	8.0%, net of pension plan investment expense, including inflation
Retirement age	61 (average)
Mortality	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.

This schedule is presented to illustrate the requirement 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. Information presented in this schedule has been determined as of the District's fiscal year end (August 31) in accordance with GASB 68.