

**MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS
MONTGOMERY COUNTY HOSPITAL DISTRICT**

The regular meeting of the Board of Directors of Montgomery County Hospital District was duly convened at 4:00 p.m., April 26, 2016 in the Administrative offices of the Montgomery County Hospital District, 1400 South Loop 336 West, Conroe, Montgomery County, Texas.

1. Call to Order

Meeting called to order at 4:00 p.m.

2. Invocation

Led by Mr. Grice

3. Pledge of Allegiance

Led by Mr. Fawn

4. Roll Call

Present:

Bob Bagley
Chris Grice
Mark Cole
Harold Posey
Sandy Wagner
Kenn Fawn
Georgette Whatley

5. Public Comment

There were no comments from the public.

6. Special Recognition –

Field – David Young

7. Consider and act on ratification of contracts with additional network providers for indigent care. (Mrs. Wagner, Chair - Indigent Care Committee)

Mrs. Wagner tabled agenda item 7, no new network providers for the month.

8. Present, Consider and act on Hereford, Lynch, Sellars and Kirkham, P.C. Audit of Fiscal Year ended September, 2015. (Mr. Grice, Chair - Finance, Budget and Audit Committee Board) (attached)

Ms. Shelby Lackey, CPA of HLS&K presented audit report to the board.

Mr. Grice made a motion to accept the Hereford, Lynch, Sellars and Kirkham, P.C. Audit of Fiscal Year Ended September 30, 2015. Ms. Whatley offered a second and motion passed unanimously.

9. **CEO Report to include update on District operations, strategic plan, capital purchases, employee issues and benefits, transition plans and other healthcare matters, grants and any other related district matters.**

Mr. Randy Johnson, CEO presented a report to the board.

10. **Consider and act on purchase of Zoll Plus AED's for Montgomery County Law Enforcement Agencies. (Mr. Bagley, Chair – PADCOM) (attached)**

Open board discussion on Zoll Plus AED's and the number of them that have been provided out in the county since 1998.

Mr. Posey requested that agenda item 10 to be tabled.

11. **Consider and act on Indigent Care policy: (Mrs. Wagner, Chair – HCAP Committee) – HCAP 02-101 – General Administration of Indigent Healthcare Plan Policy (attached)**

Mr. Cole made a motion to consider and act on Indigent Care policy HCAP 02-101 – General Administration of Indigent Healthcare Plan Policy. Mrs. Wagner offered a second and motion passed unanimously.

12. **EMS Director Report to include updates on EMS staffing, performance measures, staff activities, patient concerns, transport destinations and fleet.**

Mr. Jared Cosper, EMS Director presented a report to the board.

13. **Consider and act on resolution in support of National EMS week May 15-21, 2016. (Mr. Fawn, Chair - EMS Committee) (attached)**

Mr. Fawn move that MCHD request the Montgomery County Commissioners office approve making May 16-21, 2016 as EMS Week. Mr. Cole offered a second and motion passed unanimously.

14. **Consider and act on purchase of a Freedom Dodge Chassis. (Mr. Fawn, Chair – EMS Committee) (attached)**

Mr. Fawn moved that MCHD approve the purchase on one (1) Dodge 4500 Chassis Freedom Dodge per the HGAC cost of \$47,632.00. Mr. Bagley offered a second and motion passed unanimously.

15. **Consider and act on 12' Frazer Generator Powered EMS Module. (Mr. Fawn, Chair – EMS Committee) (attached)**

Mr. Fawn moved that MCHD approve the purchase of a 12 foot Frazer powered EMS Module for \$129,400.00. Ms. Whatley offered a second and motion passed unanimously.

16. **Consider and act on the purchase of 1 each Stryker Power Pro Cot, Power Load and Extrication Chair. (Mr. Fawn, Chair – EMS Committee) (attached)**

Mr. Fawn moved that MCHD approve the purchase of a Stryker Power Pro Cot and ancillary equipment per the purchase order for \$42,583.36. Ms. Whatley offered a second and motion passed unanimously.

- 17. Consider and act on the repurchase of existing ambulance to repurpose electronics, lights, etc. and to use the box as a training module. (Mr. Fawn, Chair – EMS Committee) (attached)**

Mr. Fawn move that MCHD repurchase the wrecked ambulance for \$9200.00. Ms. Whatley offered a second and motion passed unanimously.

- 18. Consider and act on purchase of 7 year service agreement on the Stryker Power Pro Cots & Power Loads. (Mr. Fawn, Chair – EMS Committee) (attached)**

Mr. Fawn moved that MCHD purchase the cited extended warranty for the Stryker Power Loads for \$411,124.00. Mrs. Wagner offered a second. After board discussion motion passed unanimously.

- 19. Consider and act on the purchase of 12 each Opticom infrared dash mount emitters. (Mr. Fawn, Chair – EMS Committee) (attached)**

Mr. Fawn moved that MCHD purchase 12 dash mounted Opticom units for \$11,210.40. Ms. Whatley offered second. After board discussion motion passed unanimously.

- 20. COO Report to include updates on infrastructure, facilities, radio system, warehousing, staff activities, community paramedicine, emergency management, and purchasing.**

Mrs. Melissa Miller, COO presented a report.

- 21. Consider and act on interlocal agreement for use of public safety talk groups with the Harris County and City of Conroe. (Mr. Bagley, Chair – PADCOM Committee)**

Mr. Bagley tabled agenda item 21 for a future meeting.

- 22. Consider and act on the RFP for Contracted Electrical Services. (Mr. Bagley, Chair – PADCOM) (attached)**

Mr. Bagley made a motion consider and act on the RFP for Contracted Electrical Services. Ms. Whatley offered a second. After board discussion motion passed unanimously.

- 23. Health Care Services Report to include regulatory update, outreach, eligibility, service, utilization, community education, clinical services, epidemiology, and emergency preparedness.**

Mrs. Ade Moronkeji, HCAP Manager presented a report to the board.

- 24. Consider and act on Healthcare Assistance Program claims from Non-Medicaid 1115 Waiver providers processed by Boon-Chapman. (Mrs. Wagner, Chair - Indigent Care Committee)**

Mrs. Wagner made a motion to consider and act on Healthcare Assistance Program claims from Non-Medicaid 1115 Waiver providers processed by Boon-Chapman. Ms. Whatley offered a second and motion passed unanimously.

- 25. Consider and act on ratification of voluntary contributions to the Medicaid 1115 Waiver program of Healthcare Assistance Program claims processed by Boon Chapman. (Mrs. Wagner, Chair – Indigent Care Committee)**

Mrs. Wagner made a motion to consider and act on ratification of voluntary contributions to the Medicaid 1115 Waiver program of Healthcare Assistance Program claims processed by Boon Chapman. Ms. Whatley offered a second and motion passed unanimously.

- 26. Presentation of preliminary Financial Report for six months ended March 31, 2016 – Brett Allen, CFO, report to include Financial Summary, Financial Statements, Supplemental EMS Billing Information, and Supplemental Schedules.**

Mr. Brett Allen, CFO presented a report to the board.

- 27. Presentation of Investment report for quarter ending March 31, 2016. (attached)**

Mr. Brett Allen, CFO presented report to the board.

- 28. Consider and act upon recommendation for amendment(s) to the budget for fiscal year ending September 30, 2016. (Mr. Grice, Treasurer - MCHD Board) (attached)**

Mr. Grice made a motion to consider and act upon amendment(s) to the budget for fiscal year ending September 30, 2016. Mrs. Wagner offered a second and motion passed unanimously.

- 29. Consider and act on ratification of payment of District invoices. (Mr. Grice, Treasurer - MCHD Board)**

Mr. Grice made a motion to consider and act on ratification of payment of District invoices. Ms. Whatley offered a second and motion passed unanimously.

- 30. Consider and act on salvage and surplus. (Mr. Grice, Treasurer – MCHD Board) (attached)**

Mr. Grice made a motion to consider and act on salvage and surplus. Ms. Whatley offered a second and motion passed unanimously.

- 31. Secretary's Report - Consider and act on minutes for the March 22, 2016 Regular BOD meeting and March 29, 2016 Special BOD Meeting. (Mrs. Wagner, Secretary - MCHD Board)**

Mrs. Wagner made a motion to consider and act on minutes for the March 22, 2016 Regular BOD Meeting. Mr. Bagley offered a second and motion passed. Ms. Whatley abstained from vote.

Mrs. Wagner made a motion to consider and act on minutes for the March 29, 2016 Special BOD Meeting. Ms. Whatley offered a second and motion passed unanimously.

- 32. Convene into executive session pursuant to section 551.072 of the Texas Government code to discuss real estate property including but not limited to MCHD Station 40 and Station 41 and any other related matters. (Mr. Posey, Chairman – MCHD Board)**

Mr. Posey convened the board into executive session at 5:37 p.m. pursuant to 551.072 of the Texas Government code to discuss real estate property including but not limited to MCHD Station 40 and Station 41 and any other related matters.

- 33. Reconvene from executive session and take action as necessary on real estate property including but not limited to Station 40 and Station 41 and any other related matters. (Mr. Posey, Chairman – MCHD Board)**

The board reconvened from executive session at 5:48 p.m.

Mr. Bagley made a motion to approve the bid with Urban Fire Protection in the amount \$26,329.00 for Station 41. Mr. Cole offered a second and motion passed unanimously.

Mr. Bagley made a motion to approve a new larger generator for Station 40, create an amendment with the bank on the lease and move the other generator to Station 32. The total amount approved is \$96,797.44. Mr. Cole offered a second and motion passed unanimously.

- 34. Convene into executive session pursuant to 551.071 of the Texas Government code to consult with legal counsel regarding financial matters involving MCHD funds. (Mr. Posey, Chairman – MCHD Board)**

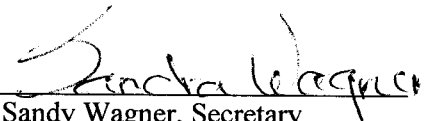
Mr. Posey convened the board into executive session at 5:50 p.m. pursuant to section 551.071 of the Texas Government code to consult with legal counsel regarding financial matters involving MCHD funds.

- 35. Reconvene from executive session and take action if required on financial matters involving MCHD funds. (Mr. Posey, Chairman – MCHD Board)**

The board reconvened from executive session at 6:13 p.m.. Mr. Posey advised that no board action to be taken.

- 36. Adjourn**

Meeting adjourned at 6:13 p.m.


Sandy Wagner, Secretary

**MONTGOMERY COUNTY
HOSPITAL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2015

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HLSK

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Montgomery County Hospital District
1400 South Loop 336 West
Conroe, Texas 77304

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of Montgomery County Hospital District (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessments of the risk 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the District, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I.F., in 2015 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
April 21, 2016

Management's Discussion and Analysis

This discussion and analysis provides readers of the financial statements of Montgomery County Hospital District, (the "District"), with a narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2015. This discussion should be read in conjunction with the basic financial statements and the notes to the financial statements. This discussion and analysis includes comparative data for the prior year.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities at September 30, 2015 by \$59,195,977 (net position). As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, net position also reflects \$30,526,182 that is net investment in capital assets. With the presentation of the investment in capital assets, unrestricted net position amounts to \$28,669,795 (unrestricted net position) and may be used to meet the District's ongoing obligations to citizens and creditors.
- The revenues for the District's government-wide activities were \$53,332,886 while expenses were \$41,544,146 resulting in an increase in total net position of \$11,788,740 from operations. Two prior period adjustments resulted in a net decrease in total net position of \$2,796,932.
- In contrast to the government-wide statements, the District's governmental fund reported an ending fund balance at September 30, 2015 of \$28,654,323, an increase of \$11,394,590 from the prior year. Approximately 95% of the ending balance, \$27,313,550, is unassigned.
- At year-end, the unassigned General Fund balance was 63% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements*, which include the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are presented using the full accrual basis of accounting; therefore, revenues are reported when they are earned and expenses are reported when the goods or services are received, regardless of the timing of cash being received or paid.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The GASB believes that, over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Because the Statement of Activities separates program revenue (revenue generated by specific programs through tenant rent, fees and program charges for services) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each function has to rely on general revenues for funding. The governmental activities of the District include administration, healthcare assistance, emergency medical services, facilities management and systems technology, public health and emergency preparedness and interest and fiscal charges.

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and emergency medical services.

The government-wide financial statements can be found in the basic financial statements section.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental fund and fiduciary fund.

Governmental Fund. A *governmental fund* is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government-wide financial statements are reported using full accrual accounting while governmental fund financial statements report only inflows and outflows of expendable resources, as well as balances of available resources at the end of the fiscal year. Governmental fund financial statements report revenue when earned, provided it is collectible within the reporting period or soon enough afterward to pay liabilities of the current period. Likewise, liabilities are recognized as expenditures only when payment is due since they must be liquidated with available cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. To assist the reader, a comparison between the two bases of accounting is provided. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintained one governmental fund, the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund which is considered to be the major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund. The budgetary comparison can be used to demonstrate compliance with the budget in its original and final forms.

Fiduciary Fund is used to account for resources held for the benefit of parties outside the District. The fiduciary fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. As such, the notes are an integral part of the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comprised of a comparison between the District's General Fund final budget and actual results, schedule of changes in net pension liabilities and related ratios and schedule of District contributions to Texas County and District Retirement System (TCDRS), which are in the section titled "Required Supplementary Information".

Government-wide Financial Analysis

As noted earlier, the GASB believes net position may, over time, serve as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$59,195,977, at September 30, 2015, as shown in the table that follows.

MONTGOMERY COUNTY HOSPITAL DISTRICT'S NET POSITION

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 32,308,778	48	\$ 22,806,818	38	\$ 9,501,960	42
Non-current capital assets	34,497,702	52	36,738,808	62	(2,241,106)	(6)
Total assets	66,806,480	100	59,545,626	100	7,260,854	
Total deferred outflows of resources	1,971,838	100	-	-	1,971,838	
Other liabilities	3,014,238	31	4,897,576	52	(1,883,338)	(38)
Long-term liabilities	6,568,103	69	4,443,881	48	2,124,222	48
Total liabilities	9,582,341	100	9,341,457	100	240,884	
Net Position:						
Net investment in capital assets	30,526,182	52	33,165,350	66	(2,639,168)	(8)
Restricted	-	-	1,785	-	(1,785)	(100)
Unrestricted	28,669,795	48	17,037,034	34	11,632,761	68
Total net position	\$ 59,195,977	100	\$ 50,204,169	100	\$ 8,991,808	

The District's total assets of \$66,806,480 are largely comprised capital assets net of accumulated depreciation of \$34,497,702, or 52%. Capital assets are non-liquid assets and cannot be used to satisfy the District's obligations. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Long-term liabilities of \$6,568,103, or 69%, are the largest portion of the District's total liabilities of \$9,582,341. A more in-depth description of long-term liabilities can be found in note 8 in the notes to the financial statements.

At September 30, 2015, the District's assets and deferred outflows of resources exceeded its liabilities by \$59,195,977. Approximately 52% of total net position or \$30,526,182 represents investments in capital assets, net of related debt. The \$28,669,795 (48%) of unrestricted net position represents resources available to fund the programs of the District next year.

The District's governmental activities increased net position by \$11,788,740 from current operations, decreased \$3,124,973 from a prior period adjustment related to capital assets, and increased \$328,041 from a prior period adjustment related to implementation of GASB 68 and 71. Key components of this increase are as follows:

MONTGOMERY COUNTY HOSPITAL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues:						
Program revenues:						
Charges for services:						
Administration	\$ 223,472	-	\$ -	-	\$ 223,472	100
Healthcare assistance	8,969	-	6,768	-	2,201	33
Emergency medical services	15,503,658	29	13,375,959	29	2,127,699	16
Facilities management and systems technology	468,265	1	429,132	1	39,133	9
Operating grants and contributions:						
Emergency medical services	3,832,941	7	2,689,955	5	1,142,986	42
Public health emergency preparedness	10,818	-	56,416	-	(45,598)	(81)
General revenues:						
Property taxes	32,350,422	62	29,204,311	63	3,146,111	11
Grants and contributions not restricted to a specific program	598,224	1	596,532	1	1,692	-
Investment earnings	179,736	-	11,178	-	168,558	1,508
Miscellaneous	156,381	-	265,163	1	(108,782)	(41)
Total revenues	53,332,886	100	46,635,414	100	6,697,472	
Expenses:						
Administration	3,734,880	9	3,885,850	9	(150,970)	(4)
Healthcare assistance	7,412,383	18	10,384,064	26	(2,971,681)	(29)
Emergency medical services	25,310,093	61	22,954,715	54	2,355,378	10
Facilities management and systems technology	4,902,470	12	4,703,738	11	198,732	4
Public health and emergency preparedness	120,973	-	132,981	-	(12,008)	(9)
Interest and fiscal charges	63,347	-	96,767	-	(33,420)	(35)
Total expenses	41,544,146	100	42,158,115	100	(613,969)	
Change in net position	11,788,740		4,477,299		7,311,441	
Net position - beginning	50,204,169		45,424,071		4,780,098	
Prior period adjustment - capital assets	(3,124,973)		302,799		(3,427,772)	
Prior period adjustment - implement GASB 68 and 71 for pensions (a)	328,041		-		328,041	
Net position - beginning, as restated	47,407,237		45,726,870		1,680,367	
Net position - ending	\$ 59,195,977		\$ 50,204,169		\$ 8,991,808	

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the District implementing GASB Statement No. 68 and 71 in fiscal year 2015. The implementation is discussed above in the MD&A and more information is available in Note 13.

The District's total revenues of \$53,332,886 were all from governmental activities. Property tax revenue accounts for \$32,350,422, or 62%, and emergency medical services revenue accounts for \$15,503,658, or 29% of total government-wide revenues. Total revenues increased \$6,697,472 over the last year. The increase in revenues resulted from an increase in property taxes caused by an increase in taxable value, as well as an increase in program fees related to ambulance services.

Total expenses for the year ended September 30, 2015 amounted to \$41,544,146. Healthcare assistance accounted for \$7,412,383 or 18%, emergency medical services accounted for \$25,310,093, or 61%, and facilities management and systems technology accounted for \$4,902,470, or 12% of total government-wide expenses. Total expenses did not change significantly over the last year.

Governmental Fund Financial Analysis

The District uses fund accounting to ensure and demonstrate compliance with legal requirements.

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the District's operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$27,313,550 and total fund balance was \$28,654,323. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represents 63 percent and 67 percent of total general fund expenditures, respectively. The fund balance of the District's general fund increased by \$11,394,590 during the current fiscal year. For the most part, increases in assessed property values and program fees were the primary reason for the increase in fund balance.

General Fund Budgetary Highlights

The District's budget is prepared on a modified accrual basis. There were no significant differences between the original budget and the final amended budget.

The following represents the differences between the final amended budget and the actual expenditures for the General Fund for the year ended September 30, 2015:

- The final budget for Healthcare Assistance exceeded the actual expenditures due to overestimation of contractual obligations and decreased patient use of HCAP services.
- EMS expenditures were less than budget primarily due to not filling vacant positions, operating expenses running less than expected, and the postponement of equipment purchases.
- The facilities management and systems technology was under budget due to the purchase of land for Station 41 along with other projects being postponed.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2015 amounts to \$34,497,702 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, equipment, vehicles, and communication system.

Major capital asset activity during the year included the following:

- Ambulances and support vehicles purchased in the amount of \$980,958.
- Real property capital lease addition of EMS Station 43 in the amount of \$1,002,187.

MONTGOMERY COUNTY HOSPITAL DISTRICT'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 3,109,609	9	\$ 3,127,417	9	\$ (17,808)	(1)
Construction in progress	1,002,186	3	1,462,348	4	(460,162)	(31)
Buildings and improvements	20,368,051	60	17,624,452	48	2,743,599	16
Equipment	2,832,383	8	7,160,856	19	(4,328,473)	(60)
Vehicles	2,531,428	7	1,686,928	5	844,500	50
Communication system	4,654,045	13	5,676,807	15	(1,022,762)	(18)
Totals	\$ 34,497,702	100	\$ 36,738,808	100	\$ (2,241,106)	

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Liabilities

At September 30, 2015, the District had total outstanding long-term liabilities in the amount of \$6,568,103, which was related to capital leases, compensated absences and net pension liability. The following table summarizes the District's long-term liabilities.

MONTGOMERY COUNTY HOSPITAL DISTRICT'S OUSTANDING LONG-TERM LIABILITIES

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Capital leases	\$ 3,971,520	60	\$ 3,573,458	72	\$ 398,062	11
Compensated absences	854,791	13	870,423	18	(15,632)	(2)
Net pension liability*	1,741,792	27	497,099	10	1,244,693	250
Total	\$ 6,568,103	100	\$ 4,940,980	100	\$ 1,627,123	

*2014 Net Pension Liability was restated for implementation of GASB 68.

The District's total long-term liabilities increased by \$1,627,123 during the 2015 fiscal year, mostly due to an increase in net pension liability. Additional information on the District's long-term liabilities can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- District staff totals 298 employees, 173 of which are EMS responders.
- The unemployment rate for Montgomery County is currently 4.5%, which is an increase from the rate of 4.3% last year. This matches the State's average unemployment of 4.5%.
- The population of Montgomery County for 2015-2016 is approximately 538,000.
- A maintenance and operations tax rate of \$.0710 was adopted for the 2015-2016 fiscal year.

The District's budgeted fund balance for the 2016 fiscal year is expected to increase by approximately \$5,270,000.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those who are interested in the government's financial status. Questions concerning any of the information provided in this report or requests for addition financial information should be addressed to the Montgomery County Hospital District, P.O. Box 478, Conroe, Texas 77305.

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BASIC FINANCIAL STATEMENTS

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MONTGOMERY COUNTY HOSPITAL DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

EXHIBIT A-1

	<u>Primary Government Governmental Activities</u>	<u>Component Unit MCPHD</u>
ASSETS:		
<i>Cash and cash equivalents</i>	\$ 8,283,959	\$ 1,097,548
<i>Temporary investments</i>	16,506,455	-
<i>Receivables, net</i>	6,693,991	-
<i>Intergovernmental receivables</i>	-	127,850
<i>Due from component unit</i>	116,050	-
<i>Inventories</i>	560,127	-
<i>Prepaid expenses</i>	148,196	-
Capital assets, net of accumulated depreciation:		
<i>Land and improvements</i>	3,109,609	-
<i>Construction in progress</i>	1,002,186	-
<i>Buildings and improvements</i>	20,368,051	-
<i>Equipment</i>	2,832,383	-
<i>Vehicles</i>	2,531,428	-
<i>Communication system</i>	4,654,045	-
Total capital assets	<u>34,497,702</u>	<u>-</u>
Total assets	<u>66,806,480</u>	<u>1,225,398</u>
DEFERRED OUTFLOWS OF RESOURCES:		
<i>Deferred outflows of resources for pensions</i>	<u>1,971,838</u>	-
Total deferred outflows of resources	<u>1,971,838</u>	<u>-</u>
LIABILITIES:		
<i>Accounts payable and accrued liabilities</i>	2,954,898	5,282
<i>Unearned revenues</i>	34,579	6,734
<i>Accrued interest</i>	24,761	-
<i>Due to primary government</i>	-	116,050
Noncurrent liabilities:		
Due within one year:		
<i>Capital lease payable</i>	839,373	-
Due in more than one year:		
<i>Capital lease payable</i>	3,132,147	-
<i>Compensated absences</i>	854,791	-
<i>Net pension liability</i>	1,741,792	-
Total liabilities	<u>9,582,341</u>	<u>128,066</u>
NET POSITION:		
<i>Net investment in capital assets</i>	30,526,182	-
<i>Unrestricted</i>	28,669,795	1,097,332
Total net position	<u>\$ 59,195,977</u>	<u>\$ 1,097,332</u>

The accompanying notes are an integral part of the basic financial statements.

MONTGOMERY COUNTY HOSPITAL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government:			
Governmental activities:			
<i>Administration</i>	\$ 3,734,880	\$ 223,472	\$ -
<i>Healthcare assistance</i>	7,412,383	8,969	-
<i>Emergency medical services</i>	25,310,093	15,503,658	3,832,941
<i>Facilities management and systems technology</i>	4,902,470	468,265	-
<i>Public health and emergency preparedness</i>	120,973	-	10,818
<i>Interest and fiscal charges</i>	63,347	-	-
Total governmental activities	<u>41,544,146</u>	<u>16,204,364</u>	<u>3,843,759</u>
Total primary government	<u>\$ 41,544,146</u>	<u>\$ 16,204,364</u>	<u>\$ 3,843,759</u>
Component Unit:			
<i>Montgomery County Public Health District</i>	\$ <u>2,199,374</u>	\$ <u>18,620</u>	\$ <u>2,180,459</u>

General revenues:

- Property taxes*
- Grants and contributions not restricted to a specific program*
- Investment earnings*
- Miscellaneous*

Total general revenues

Change in net position

Net position - beginning

Prior period adjustment - Capital Assets

Prior period adjustment - Implement GASB 68 and 71

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of the basic financial statements.

Primary Government Net (Expense) Revenue and Changes in Net Position		Component Unit
Governmental Activities	Total	MCPHD
\$ (3,511,408)	\$ (3,511,408)	
(7,403,414)	(7,403,414)	
(5,973,494)	(5,973,494)	
(4,434,205)	(4,434,205)	
(110,155)	(110,155)	
(63,347)	(63,347)	
<u>(21,496,023)</u>	<u>(21,496,023)</u>	
<u>(21,496,023)</u>	<u>(21,496,023)</u>	
		\$ <u>(295)</u>
32,350,422	32,350,422	-
598,224	598,224	-
179,736	179,736	-
156,381	156,381	112,888
<u>33,284,763</u>	<u>33,284,763</u>	<u>112,888</u>
11,788,740	11,788,740	112,593
50,204,169	50,204,169	984,739
(3,124,973)	(3,124,973)	-
328,041	328,041	-
<u>47,407,237</u>	<u>47,407,237</u>	<u>984,739</u>
\$ <u>59,195,977</u>	\$ <u>59,195,977</u>	\$ <u>1,097,332</u>

MONTGOMERY COUNTY HOSPITAL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2015

EXHIBIT C-1

	<u>General Fund</u>
ASSETS:	
<i>Cash and cash equivalents</i>	\$ 8,283,959
<i>Temporary investments</i>	16,506,455
Receivables:	
<i>Taxes receivable, net</i>	664,978
<i>EMS receivable, net</i>	5,656,581
<i>Other receivables, net</i>	372,432
<i>Due from component unit</i>	116,050
<i>Inventories</i>	560,127
<i>Prepaid items</i>	148,196
Total assets	\$ <u><u>32,308,778</u></u>
 LIABILITIES:	
<i>Accounts payable and accrued liabilities</i>	\$ 2,954,898
<i>Unearned revenue</i>	34,579
Total liabilities	<u>2,989,477</u>
 DEFERRED INFLOWS OF RESOURCES:	
<i>Unavailable revenue - property taxes</i>	664,978
Total deferred inflows of resources	<u>664,978</u>
 FUND BALANCE:	
<i>Nonspendable - inventories</i>	560,127
<i>Nonspendable - prepaid items</i>	148,196
<i>Committed - open purchase orders</i>	342,786
<i>Assigned - open purchase orders</i>	289,664
<i>Unassigned</i>	27,313,550
Total fund balance	<u>28,654,323</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ <u><u>32,308,778</u></u>

The accompanying notes are an integral part of the basic financial statements.

MONTGOMERY COUNTY HOSPITAL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

EXHIBIT C-1R

Total fund balance - governmental funds balance sheet \$ 28,654,323

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 53,297,971	
Accumulated depreciation of governmental capital assets	<u>(18,800,269)</u>	34,497,702

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 664,978

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items, consist of:

Capital leases	\$ (3,971,520)	
Accrued interest on capital leases	(24,761)	
Compensated absences	(854,791)	
Net Pension Liability	<u>(1,741,792)</u>	(6,592,864)

Deferred outflows for pension are included in the statement of net position and are not reported in the funds due to they are not a current financial resource available to pay for current expenditures.

1,971,838

Total net position - governmental activities \$ 59,195,977

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

MONTGOMERY COUNTY HOSPITAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-2

	<u>General Fund</u>
REVENUES:	
<i>Property taxes</i>	\$ 32,367,127
<i>Program revenues</i>	19,813,833
<i>Charges for Services</i>	223,472
<i>Intergovernmental</i>	609,042
<i>Investment earnings</i>	179,736
<i>Miscellaneous</i>	159,109
Total revenues	<u>53,352,319</u>
EXPENDITURES:	
Current:	
<i>Administration</i>	3,255,477
<i>Healthcare assistance</i>	7,414,207
<i>Emergency medical services</i>	23,611,784
<i>Facilities management and systems technology</i>	3,887,605
<i>Public health and emergency preparedness</i>	115,096
Debt service:	
<i>Principal retirement</i>	604,125
<i>Interest and fiscal charges</i>	70,760
<i>Capital outlay</i>	4,057,617
Total expenditures	<u>43,016,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,335,648</u>
OTHER FINANCING SOURCES:	
<i>Proceeds from capital lease</i>	1,002,187
<i>Proceeds from sale of assets</i>	56,755
Total other financing sources	<u>1,058,942</u>
Net change in fund balance	11,394,590
Fund balance - beginning	17,259,733
Fund balance - ending	<u>\$ 28,654,323</u>

The accompanying notes are an integral part of the basic financial statements.

MONTGOMERY COUNTY HOSPITAL DISTRICT

EXHIBIT C-3

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total net changes in fund balance - governmental fund \$ 11,394,590

Amounts reported for governmental activities in the statement of activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (16,705)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	\$ 4,057,617	
Depreciation expense	<u>(3,115,749)</u>	941,868

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is a increase (decrease) to net position. (58,001)

Issuance of a capital lease provides current financial resources to governmental funds, but issuing a capital lease increases long-term liabilities in the statement of net position. (1,002,187)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 604,125

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consist of the following:

Accrued interest on capital leases <i>decreased</i>		7,413
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The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 15,632

The net change in net pension liability and deferred outflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ 1,146,698	
Net Pension Liability (Increased) Decreased	<u>(1,244,693)</u>	<u>(97,995)</u>

Change in net position - governmental activities \$ 11,788,740

The accompanying notes are an integral part of the basic financial statements.

MONTGOMERY COUNTY HOSPITAL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2015

EXHIBIT D-1

	<u>Deferred Compensation Plan</u>
ASSETS:	
<i>Cash and cash equivalents</i>	\$ 145,420
Total assets	<u>145,420</u>
LIABILITIES:	
<i>Due to others</i>	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION:	
<i>Held in trust for benefits and other purposes</i>	145,420
Total net position	<u>\$ 145,420</u>

The accompanying notes are an integral part of the basic financial statements.

MONTGOMERY COUNTY HOSPITAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D-2

	<u>Deferred Compensation Plan</u>
ADDITIONS:	
<i>Interest</i>	\$ 8,750
<i>Net increase (decrease) in the fair value of investments</i>	72
Total investment earnings	<u>8,822</u>
<i>Less investment expense</i>	-
Net investment earnings	<u>8,822</u>
Total additions	<u>8,822</u>
DEDUCTIONS:	
<i>Benefits</i>	<u>(39,972)</u>
Total deductions	<u>(39,972)</u>
Change in net position	(31,150)
Net position - beginning	<u>176,570</u>
Net position - ending	<u>\$ 145,420</u>

The accompanying notes are an integral part of the basic financial statements.

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by taxes, emergency medical services, intergovernmental revenues, and other nonexchange transactions. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

B. Reporting Entity

The District is a political subdivision created in 1977 by an act of the Texas legislature and a vote of ratification by the residents of Montgomery County, Texas. Originally, the District operated the Medical Center Hospital in Conroe, Texas, which was sold on May 26, 1993 to Health Trust, Inc. (Health Trust). Since 1993, the District has contracted with the new owners of the hospital to provide indigent medical care to the residents of Montgomery County. The District also contracts with other healthcare providers in the county to provide indigent care for the county residents. In addition to indigent care, the District provides emergency medical ambulance services for county residents and has constructed a countywide communication system to facilitate providing healthcare services to the residents. As required by GAAP, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions, as part of the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Discretely Presented Component Unit

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the District is a part of any other governmental or type of reporting entity. The overriding elements associated with prescribed criteria considered in determining the District's financial reporting entity status is as that of a primary government are: 1) it has a separately elected governing body, 2) it is legally separate and 3) it is fiscally independent of other state and local governments. Additionally prescribed criteria under GAAP include considerations pertaining to other organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these considerations, the District has a discretely presented component unit. The Montgomery County Public Health District (MCPHD) is the result of a Cooperative Agreement between Montgomery County, Texas, the City of Panorama and the City of Conroe. The MCPHD's purpose is to provide essential public health services as defined in Section 121.002 of the Act:

- Monitor the health status of individuals in the community to identify community health problems;
- Diagnose and investigate community health problems and community health hazards;
- Inform, educate, and empower the community with respect to health issues;
- Mobilize community partnerships in identifying and solving community health problems;
- Develop policies and plans that support individual and community efforts to improve health;
- Enforce laws and rules that protect the public health and ensure safety in accordance with those laws and rules;
- Link individuals who have a need for community and personal health services to appropriate community and private providers;
- Ensure a competent workforce for the provision of essential public health services;
- Research new insights and innovative solutions to community health problems;
- Evaluate the effectiveness, accessibility, and quality of personal and population-based services in a community.

The MCPHD has assigned or contracted with the District to administer all programs, services, and administrative needs of the MCPHD. Any and all funding given to, acquired by, or earned in the name of the MCPHD shall be assigned to the District for the sole purpose of administering MCPHD programs, services, and administrative needs.

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has a discretely presented component unit which is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted in another fund.

Additionally, the government reports the following fund type:

The *fiduciary fund* is used to account for assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The deferred compensation plan trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

F. New Accounting Standards Adopted

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined annually by the actuary for TCDRS. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liability and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of October 1, 2014, was increased by \$328,041 to reflect the cumulative effect of adoption. The net pension liability of \$497,099 and the deferred outflows of resources of

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

\$825,140 at September 30, 2014, were reported as a prior period adjustment to the net position on October 1, 2014. Refer to Note 10 for more information regarding the District's pensions.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position are as follows:

- TCDRS – The beginning deferred outflow includes contributions from January 1, 2014, through September 30, 2014, totaling \$825,140.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in the qualified investment pools (Pools). In accordance with state law, the Pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though they are calculated using the amortized cost method. The Pools are subject to regulatory oversight by the State Treasurer, although they are not registered with the SEC.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable medical supplies, radio repair parts, and vehicle repair parts. The cost of such inventory is recorded as expenditures/expenses when consumed rather than when purchased.

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, equipment, vehicles, and communication system assets (e.g. radio towers, structures, equipment, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

As the District constructs or acquires additional capital assets each period, including communication system assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements, equipment, vehicles, and communication system assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	8-30
Equipment	2-15
Vehicles	5-8
Communication system	5-30

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. The deferred outflow for pensions results from the difference in projected and actual earnings on plan investments and the effects of actuarial differences and changes in assumptions. The plan's investment earnings difference is amortized over 5 years and the actuarial differences and changes in assumptions is amortized over a period equal to the average of the expected remaining service lives of all employees.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue-property taxes*, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by policy authorized the CEO or his designee to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Central Appraisal District as of July 31 of each year. Prior to October 1 of each year, the District sets its tax rate thus creating the tax levy. The taxes are levied and payable October 1 on property values assessed as of January 1. Taxes may be paid without penalty before February 1 of the following year and create a tax lien as of July 1 of each year. The tax assessor/collector for Montgomery County bills and collects the property taxes for the District. Property tax revenues are recognized when levied to the extent that they result in current receivables. The combined current tax rate to finance general governmental services for the year ended September 30, 2015 was \$0.0725 per \$100, allocated for the General Fund.

3. Compensated Absences

The District records all vacation, sick leave and holiday benefits as a single benefit called Paid Time Off (PTO). Employees are allowed to carry over the number of hours equal to one year of accrued PTO.

For the governmental fund, accumulated compensated absences are normally paid from the General Fund and are treated as an expenditure when paid. All compensated absences are accrued when incurred in the government-wide financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

4. Use of Estimates

The presentation 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the CEO submits to the District board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The CEO may approve a department's request to transfer an unencumbered balance, or portion thereof within any department; however, the board must approve a transfer of funds between departments.
4. Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 – DEPOSITS AND INVESTMENTS

Primary Government

At September 30, 2015 the carrying amount of the District's deposits (cash, interest-bearing savings accounts, and money market accounts) was \$8,283,959 and the bank's balances totaled \$8,871,922. At September 30, 2015, all bank balances were covered by federal deposit insurance, or pledged collateral held by the financial institution in the District's name. The District's investments consisted of local investment pools and certificates of deposit at fiscal year end.

The District is required by the Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investment, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

At September 30, 2015, the District had the following investments:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	N/A	\$ 4,000,642	24%	0.90
TexPool	AAAm	6,259,274	38%	0.11
TexStar	AAAm	6,246,539	38%	0.15
<i>Total Fair Value</i>		<u>\$ 16,506,455</u>	<u>100%</u>	
Portfolio Weighted Average Maturity				0.32

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting its investments to instruments with shorter-term maturities. The maximum stated maturity of any individual investment shall be no longer than ten years, and the dollar-weighted average maturities of any pooled fund shall be limited to one year.

Concentration of credit risk. The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity, and financial institutions to reduce risk of loss from over concentration of assets in specific classes of investments, specific maturities or specific issuers. In accordance with the District's policy, the District may meet its obligation to diversify by placing all or part of its investment portfolio in public fund investment pools, money market mutual funds, and certificates of deposit.

Credit risk. For fiscal year 2015, the District invested in Texpool and TexStar. Texpool is duly chartered by the State Comptroller's Office and administered and managed by Federated Investors, Inc. TexStar is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Southwest Asset Management, Inc. As of September 30, 2015 the District's investments were rated as noted on the table above.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2015, District's deposits were not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

Custodial credit risk – investments. For an investment, this 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 investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered, or securities are held by the District or its agent in the District's name.

Discretely Presented Component Unit

As of September 30, 2015, the Montgomery County Public Health District's (MCPHD) bank balance was \$1,097,348 and was insured and collateralized by the bank's agent in the MCPHD's name.

NOTE 4 – RECEIVABLES

Amounts recorded as receivable in the General Fund, as of September 30, 2015, are as follows:

	<u>Receivables</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Receivables:			
Taxes	\$ 1,016,535	\$ (351,557)	\$ 664,978
Emergency medical service fees	9,441,960	(3,785,379)	5,656,581
Other	372,432	-	372,432
<i>Totals</i>	<u>\$ 10,830,927</u>	<u>\$ (4,136,936)</u>	<u>\$ 6,693,991</u>

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Tax revenues of the general fund are reported net of estimated uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ 18,869
Total Uncollectibles of the Current Fiscal Year Increased (Decreased) Revenues	\$ 18,869

NOTE 5 – PROPERTY TAXES

The District is authorized to levy a tax on taxable property located within the District in an amount not to exceed \$0.0750 per \$100 valuation for the purpose of paying operating expenses and for debt service. The current tax rate is approximately \$0.0725 per \$100 valuation. Taxes for fiscal year 2015 were levied on property within the District having an assessed valuation of approximately \$44 billion.

Property taxes receivable and allowance for uncollectibles, as of September 30, 2015, are as follows:

<u>Year of Levy</u>	<u>Property Tax</u>
2015	\$ 285,378
2014	141,216
2013	103,501
2012	79,482
2011	67,833
2010	59,114
2009	51,261
2008	42,154
2007	33,769
2006 and prior	<u>152,827</u>
	1,016,535
Less: allowance	(351,557)
Receivable, net of allowance	\$ <u>664,978</u>

Approximately 69% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

NOTE 6 – PRIMARY GOVERNMENT AND COMPONENT UNIT ACTIVITY

Amounts receivable and payable between the District and its component unit at September 30, 2015 were as follows:

<u>Primary Government/Component Unit</u>	<u>Receivables</u>	<u>Payables</u>
District - General Fund	\$ 116,050	\$ -
Component Unit - MCPHD	-	116,050
Totals	\$ <u>116,050</u>	\$ <u>116,050</u>

The component unit amount for short-term lending/borrowing arrangements is included in due to primary government.

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Revised Beginning Balance</u>	<u>Increases</u>	<u>Decreases and Reclass</u>	<u>Ending Balance</u>
Governmental activities:						
Capital assets, not being depreciated:						
Land and improvements	\$ 3,127,417	\$ (17,808)	\$ 3,109,609	\$ -	\$ -	\$ 3,109,609
Construction in progress	1,462,348	-	1,462,348	1,708,056	(2,168,218)	1,002,186
Total capital assets, not being depreciated	<u>4,589,765</u>	<u>(17,808)</u>	<u>4,571,957</u>	<u>1,708,056</u>	<u>(2,168,218)</u>	<u>4,111,795</u>
Capital assets, being depreciated:						
Buildings and improvements	20,249,620	1,635,318	21,884,938	103,364	2,168,218	24,156,520
Equipment	10,733,080	(695,804)	10,037,276	924,837	(2,215)	10,959,898
Vehicles	3,760,426	981,934	4,742,360	1,091,819	(278,849)	5,555,330
Communication system	12,999,059	(4,714,172)	8,284,887	229,541	-	8,514,428
Total capital assets being depreciated	<u>47,742,185</u>	<u>(2,792,724)</u>	<u>44,949,461</u>	<u>2,349,561</u>	<u>1,887,154</u>	<u>49,186,176</u>
Less accumulated depreciation for:						
Buildings and improvements	(2,625,168)	(387,054)	(3,012,222)	(776,247)	-	(3,788,469)
Equipment	(3,572,224)	(2,992,491)	(6,564,715)	(1,565,015)	2,215	(8,127,515)
Vehicles	(2,073,498)	(623,777)	(2,697,275)	(547,475)	220,848	(3,023,902)
Communication system	(7,322,252)	3,688,881	(3,633,371)	(227,012)	-	(3,860,383)
Total accumulated depreciation	<u>(15,593,142)</u>	<u>(314,441)</u>	<u>(15,907,583)</u>	<u>(3,115,749)</u>	<u>223,063</u>	<u>(18,800,269)</u>
Total capital assets, being depreciated, net	<u>32,149,043</u>	<u>(3,107,165)</u>	<u>29,041,878</u>	<u>(766,188)</u>	<u>2,110,217</u>	<u>30,385,907</u>
Government activities capital assets, net	<u>\$ 36,738,808</u>	<u>\$ (3,124,973)</u>	<u>\$ 33,613,835</u>	<u>\$ 941,868</u>	<u>\$ (58,001)</u>	<u>\$ 34,497,702</u>

Depreciation expense was charged to functions/programs for the fiscal year 2015 as follows:

Governmental activities:	
Administration	\$ 499,670
Healthcare assistance	28,828
Emergency medical services	1,562,628
Facilities management and systems technology	1,024,623
<i>Total</i>	<u>\$ 3,115,749</u>

Construction Commitments

The District had active construction projects as of September 30, 2015. The projects include the construction of an EMS station. At year end, the District's commitments with contractors are as follows:

Project:	Remaining Commitment
EMS Station #43	\$ 920,037
<i>Total</i>	<u>\$ 920,037</u>

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the period ended September 30, 2015 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 3,573,458	\$ 1,002,187	\$ (604,125)	\$ 3,971,520	\$ 839,373
Compensated absences	870,423	23,086	(38,718)	854,791	-
Net pension liability	497,099	4,544,108	(3,299,415)	1,741,792	-
Governmental activities Long-term liabilities	\$ 4,940,980	\$ 5,569,381	\$ (3,942,258)	\$ 6,568,103	\$ 839,373

For governmental activities, capital leases payable, compensated absences and net pension liability are liquidated by the general fund.

B. Capital Lease

The District entered into lease agreements for financing the acquisition of equipment and the construction of buildings. The following is a summary of changes in the capital leases of the governmental activities for the fiscal year:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Zoll Monitors	\$ 844,420	\$ -	\$ (197,388)	\$ 647,032
P-25 Equipment	1,547,979	-	(350,874)	1,197,105
EMS Station 40	1,181,059	-	(55,863)	1,125,196
EMS Station 43	-	1,002,187	-	1,002,187
	\$ 3,573,458	\$ 1,002,187	\$ (604,125)	\$ 3,971,520

The future debt service requirements for capital leases as of September 30, 2015 are noted below:

Year Ended September 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 839,373	\$ 98,902	\$ 938,275
2017	1,007,388	72,936	1,080,324
2018	1,035,363	45,018	1,080,381
2019	539,698	18,398	558,096
2020	391,984	7,936	399,920
2021	157,714	1,499	159,213
Totals	\$ 3,971,520	\$ 244,689	\$ 4,216,209

Amortization of leased equipment under capital assets is included with depreciation expense.

Leased buildings and equipment under capital leases in capital assets at September 30, 2015, include the following:

Construction in progress*	\$ 1,002,187
Building	1,181,059
Equipment	3,074,453
Less: Accumulated Depreciation	(1,124,686)
Total	\$ 4,133,013

*Construction in progress does not accumulate depreciation until placed in service by the District.

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 9 – DEFERRED COMPENSATION PLAN

The District provides a Deferred Compensation Plan (the "Plan") covering current and former District employees who elected to contribute to the Plan prior to March 1, 1998. The Plan allowed for employees to contribute up to a set limit per year, but it did not provide for employer contributions. Plan assets of \$145,420 at September 30, 2015, recorded in the fiduciary fund, are restricted.

NOTE 10 – PENSION PLAN

A. Plan Description

The District's nontraditional defined benefit pension plan, Texas County and District Retirement System (TCDRS), provides pensions for all of its full-time employees. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034 Austin, TX, 78768.

B. Benefits Provided

TCDRS provides retirement, disability, and death benefits. The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with ten or more years of service at age 60 and above, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after ten years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of Directors 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 employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The Plan is open to new entrants.

C. Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	157
Active employees	286
<i>Total</i>	<u>446</u>

D. Contributions

Montgomery County Hospital District has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 6.43 percent and \$1,093,580 for the calendar year 2014.

The deposit rate payable by the employee member for calendar year 2014 was 7.0 percent as adopted by the Board of Directors. The employee deposit rate and the employer contribution rate may be changed by the Board of Directors within the options available in the TCDRS Act.

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

E. Actuarial Assumptions

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	3.00%
Payroll growth	2.00%
Real rate of return	5.00%
Long-term investment return	8.00%

The actuarial assumptions that determined the total pension liability as of December 31, 2014, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012. In addition, mortality rates were based on the following mortality tables:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2015 information for a 7-10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	16.50 %	5.35%
Private Equity	12.00	8.35%
Global Equities	1.50	5.65%
International Equities - Developed	11.00	5.35%
International Equities - Emerging	9.00	6.35%
Investment - Grade Bonds	3.00	0.55%
High-Yield Bonds	3.00	3.75%
Opportunistic Credit	5.00	5.54%
Direct Lending	2.00	5.80%
Distressed Debt	3.00	6.75%
REIT Equities	2.00	4.00%
Commodities	2.00	-0.20%
Master Limited Partnerships	2.00	5.30%
Private Real Estate Partnerships	3.00	7.20%
Hedge Funds	25.00	5.15%
<i>Total</i>	100.00 %	

Discount Rate:

The discount rate used to measure the total pension liability was 8.10%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods. The employee is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed it accrued liabilities in 20 years or less. When this point is

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected levels of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 8.10% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

F. Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 12,563,718	\$ 12,066,619	\$ 497,099
Changes for the year:			
Service cost	1,935,546	-	1,935,546
Interest	1,105,667	-	1,105,667
Effect of plan changes	473,611	-	473,611
Effect of economic demographic gains or losses	827,063	-	827,063
Refunds of contributions	(186,867)	(186,867)	-
Benefit payments	(6,153)	(6,153)	-
Administrative expense	-	(10,485)	10,485
Member contributions	-	1,190,523	(1,190,523)
Net investment income	-	822,292	(822,292)
Employer contributions	-	1,093,580	(1,093,580)
Other changes	-	1,284	(1,284)
Net changes	<u>4,148,867</u>	<u>2,904,174</u>	<u>1,244,693</u>
Balances at December 31, 2014	<u>\$ 16,712,585</u>	<u>\$ 14,970,793</u>	<u>\$ 1,741,792</u>

Sensitivity Analysis:

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
District's net pension liability / (asset)	\$ 4,819,362	\$ 1,741,792	\$ (748,359)

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

G. Pension Expense and Deferred Outflows of Resources Related to Pensions

For the fiscal year ended September 30, 2015, the District recognized pension expense of \$1,404,495.

At September 30, 2015, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 735,167	\$ -
Net difference between projected and actual earnings on pension plan investments	198,611	-
Contributions made subsequent to the measurement date	1,038,060	-
Totals	\$ 1,971,838	\$ -

The \$1,038,060 reported as deferred outflows of resources related to pensions from District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016	\$ 141,549
2017	141,549
2018	141,549
2019	141,549
2020	91,896
Thereafter	275,686

NOTE 11 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Risk Management

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage and auto, subject to various policy limits and deductibles. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$3 million aggregate subject to various deductibles per occurrence.

The District purchases commercial insurance for workers' compensation benefits with a \$1,000,000 occurrence and per employee policy limit.

For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

Contingencies

The District participates in a number of federal and state financial assistance programs. These programs are subject to financial and compliance audits by the grantor agencies. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

MONTGOMERY COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 12 – HEALTHCARE ASSISTANCE PROGRAM

The healthcare assistance program was established by the District to provide health care services to the indigent residents of Montgomery County. The District entered into contracts with various healthcare providers to provide healthcare services to Montgomery County indigents. Qualifications for the program are based on income level, citizenship, county residency, medical need and financial resources. In conjunction with the sale of the Medical Center Hospital in Conroe (now Conroe Regional Medical Center) to Health Trust on May 26, 1993, the District entered into an Indigent Care Agreement with Health Trust and its successors. The terms of the Indigent Care Agreement ended on May 31, 2008. The Indigent Care Agreement was not renewed. As of June 1, 2008, the District is funding a voluntary estimate of medical care expenses to qualified indigents to those providers that previously were participants in the Indigent Care Agreement.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

During the year, the District revised a physical inventory of capital assets in preparation of implementing a new capital asset tracking software, which resulted in the identification of the following corrections. Also, net position at October 1, 2014 was restated per the following table for the implementation of GASB 68 and GASB 71.

	Governmental Activities
Beginning Net Position, as Previously Reported	\$ 50,204,169
Correct beginning capital asset balances	(3,124,973)
Implementation of GASB 68 and 71 for Pensions	328,041
Beginning Net Position, Restated	\$ 47,407,237

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REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY HOSPITAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT E-1

	Budgeted Amounts		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
<i>Property taxes</i>	\$ 31,524,904	\$ 31,524,904	\$ 32,367,127	\$ 842,223
<i>Program revenues</i>	18,955,702	18,835,702	19,813,833	978,131
<i>Charges for Services</i>	223,067	223,067	223,472	405
<i>Intergovernmental</i>	423,378	423,378	609,042	185,664
<i>Investment earnings</i>	11,941	11,941	179,736	167,795
<i>Miscellaneous</i>	36,611	36,611	159,109	122,498
Total revenues	<u>51,175,603</u>	<u>51,055,603</u>	<u>53,352,319</u>	<u>2,296,716</u>
EXPENDITURES:				
Current:				
<i>Administration</i>	3,732,139	3,884,566	3,255,477	629,089
<i>Healthcare assistance</i>	11,417,634	10,997,228	7,414,207	3,583,021
<i>Emergency medical services</i>	24,079,966	24,649,777	23,611,784	1,037,993
<i>Facilities management and systems technology</i>	4,951,468	4,989,482	3,887,605	1,101,877
<i>Public health and emergency preparedness</i>	107,904	131,344	115,096	16,248
Debt service:				
<i>Principal retirement</i>	858,026	604,154	604,125	29
<i>Interest and fiscal charges</i>	79,029	79,244	70,760	8,484
<i>Capital outlay</i>	4,221,005	4,875,474	4,057,617	817,857
Total expenditures	<u>49,447,171</u>	<u>50,211,269</u>	<u>43,016,671</u>	<u>7,194,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,728,432</u>	<u>844,334</u>	<u>10,335,648</u>	<u>9,491,314</u>
OTHER FINANCING SOURCES:				
<i>Proceeds from capital lease</i>	800,000	987,687	1,002,187	14,500
<i>Proceeds from sale of assets</i>	24,000	24,000	56,755	32,755
Total other financing sources	<u>824,000</u>	<u>1,011,687</u>	<u>1,058,942</u>	<u>47,255</u>
Net change in fund balance	<u>2,552,432</u>	<u>1,856,021</u>	<u>11,394,590</u>	<u>9,538,569</u>
Fund balance - beginning	<u>17,259,733</u>	<u>17,259,733</u>	<u>17,259,733</u>	<u>-</u>
Fund balance - ending	<u>\$ 19,812,165</u>	<u>\$ 19,115,754</u>	<u>\$ 28,654,323</u>	<u>\$ 9,538,569</u>

See accompanying notes to the required supplementary information.

MONTGOMERY COUNTY HOSPITAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT F-1

	<u>2015*</u>
Total pension liability	
Service cost	\$ 1,935,546
Interest (on the total pension liability)	1,105,667
Effect of plan changes	473,611
Effect of economic/demographic (gains) or losses	827,063
Benefit payments, including refunds of employee contributions	<u>(193,020)</u>
Net change in total pension liability	4,148,867
Total pension liability - beginning	12,563,718
Total pension liability - ending (a)	\$ <u>16,712,585</u>
Plan fiduciary net position	
Contributions - district	\$ 1,093,580
Contributions - employee	1,190,523
Net investment income	822,292
Benefit payments, including refunds of employee contributions	(193,020)
Administrative expense	(10,485)
Other	1,284
Net change in plan fiduciary net position	<u>2,904,174</u>
Plan fiduciary net position - beginning	12,066,619
Plan fiduciary net position - ending (b)	\$ <u>14,970,793</u>
Net pension liability - ending (a) - (b)	\$ <u>1,741,792</u>
Plan fiduciary net position as a percentage of total pension liability	89.58%
Covered employee payroll	17,006,833
Net pension liability as a percentage of covered employee payroll	10.24%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See accompanying notes to the required supplementary information.

MONTGOMERY COUNTY HOSPITAL DISTRICT
*SCHEDULE OF DISTRICT CONTRIBUTIONS TO TEXAS COUNTY AND DISTRICT RETIREMENT
 SYSTEM (TCDRS)*
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT F-2

	<u>2015*</u>
Actuarially determined contribution	\$ 1,093,580
Contributions in relation to the actuarially determined contributions	<u>(1,093,580)</u>
Contribution deficiency (excess)	<u><u>-</u></u>
 Covered-employee payroll	 \$ 17,006,833
 Contributions as a percentage of covered- employee payroll	 6.43%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See accompanying notes to the required supplementary information.

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Budgetary Information

Excess of Expenditures Over Appropriations

For the year ended September 30, 2015, the general fund expenditures exceeded its appropriations in the following functions:

	<u>Appropriations</u>		<u>Expenditures</u>		<u>Excess</u>
General Fund:					
None noted	\$ -		\$ -		\$ -

The District adopts a budget each fiscal year in accordance with Generally Accepted Accounting Principles (GAAP). Expenditures for all departments fell within their respective budget appropriations.

Encumbrance accounting is utilized in all governmental fund types. Any encumbered appropriation lapse at year-end must be reappropriated in the following year. Encumbrances for materials, other goods and purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year-end do not constitute expenditures or liabilities under GAAP. The District honors these commitments and records GAAP expenditures in the subsequent year as the transactions are completed. At year end, the District committed a portion of fund balance for outstanding encumbrances of \$342,786 and assigned a portion of fund balance for outstanding encumbrances of \$289,664 in the general fund.

The general fund had the following significant variances between final budget and actual:

- The final budget for Healthcare Assistance exceeded the actual expenditures due to overestimation of contractual obligations and decreased patient use of HCAP services.
- EMS expenditures were less than budget primarily due to not filling vacant positions, operating expenses running less than expected, and the postponement of equipment purchases.
- The facilities management and systems technology was under budget due to the purchase of land for station 41 along with other projects being postponed.

See accompanying notes to the required supplementary information.

MONTGOMERY COUNTY HOSPITAL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

B. Pensions

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 contributions are reported:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Remaining Amortization Period	11.8 years
Asset Valuation Method	5 Year Smoothed Non-asymptotic
Inflation	3.00%
Salary Increases	4.9% average, Including Inflation
Investment Rate of Return	8.10%, net of Investment Expense
Cost-of-Living Adjustments	Cost-of-Living adjustments for Montgomery County Hospital District are considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustment is included in the GASB calculations. No assumptions for future cost-of-living adjustments is included in the funding valuation.
Depositing Members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year set-back, both with the projection scale AA.
Service Retirees, Beneficiaries and Non-depositing Members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled Retirees	The RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set forward, both with the projection scale AA.

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

HLSK

Hereford, Lynch, Sellars & Kirkham
Certified Public Accountants • A Professional Corporation

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors of
Montgomery County Hospital District
1400 South Loop 336 West
Conroe, Texas 77304

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit and each major fund of Montgomery County Hospital District ("the District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
April 21, 2016

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MONTGOMERY COUNTY HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

1. Type of auditors' report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Significant Deficiency(ies) identified that are not considered to be material weaknesses	None
b. Material Weakness(es) identified	2015-001
3. Noncompliance material to the Financial Statements noted	None

SECTION II – FINANCIAL STATEMENT FINDINGS

1. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING

2015-001 CAPITAL ASSETS

Condition: A capital asset schedule that details cost and accumulated depreciation in such a manner that it can be traced to the financial records is not adequately maintained.

Criteria: Defined business practices and generally accepted accounting principles dictate that capital assets (property, plant and equipment, and the associated accumulated depreciation) should be supported by an accurate detail listing that agrees to the total on the financial records.

Cause: A cumbersome Excel spreadsheet is used by the accounting department, but it is ineffective and not properly maintained with additions and deletions.

Effect of Condition: Failure to maintain a detailed asset listing prohibits an accurate portrayal of the total amount the District has invested in capital assets. This asset listing is a necessary tool to enable management to properly safeguard its capital assets and plan for future needs.

Recommendation: We recommend the District use a capital asset/depreciation software. Management should use the listing to "inventory" the property and equipment the District has recorded to ensure that it is still in existence. We also recommend the capital assets listing be reconciled to the financial records monthly, or at least quarterly.

Views of Responsible Officials: See Corrective Action Plan.

2. FINDINGS RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS

None reported

MONTGOMERY COUNTY HOSPITAL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

PRIOR YEAR FINDINGS

None reported

MONTGOMERY COUNTY HOSPITAL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015

CURRENT YEAR FINDINGS

2015-001 CAPITAL ASSETS

Contact Person:

Brett Allen
Chief Financial Officer

Response:

Montgomery County Hospital District (MCHD) has historically maintained its fixed assets and associated depreciation in an Excel spreadsheet rather than in dedicated fixed asset software. The deficiencies in this tool were recognized prior to this audit, but other tasks and projects were deemed to require more immediate attention. As the result of these other tasks and projects, the District's accounting processes have been advanced such that best practices have been put in place.


At the beginning of this year's audit, MCHD approached the auditors to recommend some accounting firms that could be solicited to help MCHD transition from the fixed asset Excel spreadsheet to dedicated fixed asset software. Due to the size and scope of this project, it would be difficult for MCHD staff to complete this project without utilizing outside help.

MCHD will enlist the aid of an outside accounting firm to help "inventory" the District's assets and reconcile that inventory to the property and equipment listed on the fixed asset Excel spreadsheet. Once complete, the reconciled asset listing will be loaded into the fixed asset module, which is a component of the accounting software utilized by MCHD.

In the meantime, to help ensure the integrity of current year fixed asset data, new assets will be added to the current fixed asset listing and reconciled monthly to capital purchases reported on the Income Statement.

Estimated Date of Completion:

January 31, 2017

 Montgomery County Hospital District	GENERAL ADMINISTRATION OF INDIGENT HEALTHCARE PLAN	Page 1 of 1
Department	Policy Number	
HCAP	02-101	

I. PURPOSE

Establish an application process per Medical Assistance Plan (MAP) and Montgomery County Indigent Care Plan (MCICP) Handbooks.

II. POLICY

The current MAP and MCICP handbooks will serve as the policies for The Montgomery County Hospital District, Health Care Assistance Program.

References:

MAP Handbook Revised 3/22/2016
MCICP Handbook Revised 3/22/2016

Original Date	03/2016
Review/Revision Date	03/2016
<input checked="" type="checkbox"/> Supersedes all Previous	
Approved by Board of Directors: Date	__/__/__

Agenda Item # 10



We Make a Difference!

To: Board of Directors
From: Jared Cosper, EMS Director
Date: April 26, 2016
Re: **Zoll Plus AED's**

Consider and act on purchase Zoll Plus AED's for Montgomery County Law Enforcement Agencies. (Mr. Bagley, Chair – PADCOM)

Zoll AED +	\$1500 (includes carrying case & 10 batteries)
CPR Pads	\$105 (we deploy 2 pads @ \$52.50 each)

Recurring cost would be batteries. Each AED requires 10 batteries which cost \$56.25/pk (10 ea/pk)

Yes	No	N/A	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budgeted item?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Within budget?
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Renewal contract?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Special request?

PROCLAMATION

To designate the Week of May 15-21, 2016, as Emergency Medical Services Week

WHEREAS, the Montgomery County Hospital District provides Emergency Medical Services to the citizens of Montgomery County, Texas; and

WHEREAS, access to quality emergency care dramatically improves the survival and recovery rate of those who experience sudden illness or injury; and

WHEREAS, the members of emergency medical service teams, whether career or volunteer, engage in thousands of hours of specialized training and continuing education to enhance their lifesaving skills; and

WHEREAS, the Montgomery County Commissioners Court hereby supports and recognizes the Montgomery County Hospital District Emergency Services Personnel as an integral partner to the citizens of Montgomery County.

NOW, THEREFORE BE IT RESOLVED that the Commissioners Court of Montgomery County, Texas does hereby proclaim the week of May 15-21, 2016 as:

“EMERGENCY MEDICAL SERVICES WEEK”

SIGNED THIS 10th DAY OF MAY, 2016.

Craig Doyal, County Judge

Mike Meador, Commissioner, Pct. 1

James Noack, Commissioner, Pct. 3

Charlie Riley, Commission, Pct. 2

Jim Clark, Commission, Pct. 4

Attest:

Mark Turnbull, County Clerk



CONTRACT PRICING WORKSHEET
For MOTOR VEHICLES Only

Contract No.:

HT06-14

Date Prepared:

4/5/2016

This Worksheet is prepared by Contractor and given to End User. If a PO is issued, both documents MUST be faxed to H-GAC @ 713-993-4548. Therefore please type or print legibly.

Buying Agency:	Montgomery Co HD	Contractor:	Freedom - CDJR
Contact Person:	Wayde Sullivan	Prepared By:	Tim Middlebrooks
Phone:	847-926-1153	Phone:	972-707-9438
Fax:		Fax:	214-350-0085
Email:	wsullivan@mchd-tx.org	Email:	tmiddlebrooks@freedomfleetsales.com

Product Code:	L1	Description:	2016 Reg Cab 4500 Cab Chassis
---------------	----	--------------	-------------------------------

A. Product Item Base Unit Price Per Contractor's H-GAC Contract: 30,480.00

B. Published Options - Itemize below - Attach additional sheet(s) if necessary - Include Option Code in description if applicable.
(Note: Published Options are options which were submitted and priced in Contractor's bid.)

Description	Cost	Description	Cost
6.7 Diesel	6,776	6 Speed Auto Trans	1,186.00
Full Size Spare	350.00	Ambulance Prep Group	445
Rear Sliding Window	140.00	Cold Weather Group	90
Vinyl Floor	N/C	Center Console Delete	N/C
Fog Lights	140	Premium Seats	925
		Subtotal From Additional Sheet(s):	
White		Subtotal B:	10052

C. Unpublished Options - Itemize below / attach additional sheet(s) if necessary.
(Note: Unpublished options are items which were not submitted and priced in Contractor's bid.)

Description	Cost	Description	Cost
84 In SLT	4200		
		Subtotal From Additional Sheet(s):	
		Subtotal C:	4200

Check: Total cost of Unpublished Options (C) cannot exceed 25% of the total of the Base Unit Price plus Published Options (A+B). For this transaction the percentage is: 10%

D. Total Cost Before Any Applicable Trade-In / Other Allowances / Discounts (A+B+C)

Quantity Ordered:	1	X Subtotal of A + B + C:	44732	=	Subtotal D:	44732
-------------------	---	--------------------------	-------	---	-------------	-------

E. H-GAC Order Processing Charge (Amount Per Current Policy) Subtotal E: 1000

F. Trade-Ins / Other Allowances / Special Discounts / Freight / Installation

Description	Cost	Description	Cost
Delivery	450	Install Fees	1,450.00
		Subtotal F:	1900

Delivery Date: TBD **G. Total Purchase Price (D+E+F): 47632**



April 20, 2016

Wayde Sullivan
Montgomery County Hospital District
Email: wsullivan@mchd-tx.org

Quote # 10694

Mr. Sullivan,

Per your request we are quoting (1) Frazer Type I 12' Generator Powered Module on a 2016 Dodge 3500 6.7L diesel chassis (customer provided) with a Liquid Spring hydraulic suspension system . For your convenience all pricing has been itemized below.

Frazer Type I 12' Generator Powered Module	\$ 91,000.00
2016 Dodge 3500 6.7L diesel chassis (customer provided)	\$ N/C
Liquid Spring hydraulic suspension system	\$ 10,000.00
Heat shielding for diesel chassis	\$ 1,500.00
Chassis Exterior	\$ 2,000.00
Chassis Interior	\$ 1,700.00
Module Exterior	\$ 16,225.00
Module Interior	\$ 6,975.00
Total	\$ 129,400.00

Items included in above total:

Chassis Exterior:

1 . Stainless steel wheel covers	\$ incl.
2 . Black Ranch Hand powder coated grille guard	\$ incl.
3 . Preinstalled customer provided ArcRite running boards	\$ N/C
4 . (2) Federal Signal AS124 speakers on grille guard	\$ incl.
5 . (4) Whelen M4 series grille & intersect LEDs w/ clear lenses (clear/red, red/blue, red/blue, red/clear)	\$ 200.00
6 . Frazer aluminum rear window pass through plate	\$ incl.
7 . Route chassis exhaust to standard location under passenger's side bumper end cap	\$ incl.
8 . Provide weight slip with delivery book	\$ incl.
9 . Install customer provided 24" air horn centered horizontally on front bumper of 2016 Dodge 4500 6.7L diesel chassis w/ foot switch on driver's side wired to Whelen Cantrol base in electrical compartment & fast recovery compressor for air horn below front I/O	\$ 1,800.00
10 . (2) Mega fuses on chassis frame rail	\$ incl.
Total	\$ 2,000.00

Chassis Interior:

11 . Custom powder coated 6-slot aluminum center console (no hour meter):	\$	incl.
<i>Note: Do not install failsafe stud, only install battery, ignition, and ground stud</i>		
Slot 1: Radio plate 2398		
Slot 2: Customer provided Whelen WeCan Control head with interior light switch		
Slot 3: Onan start/stop switch, Onan fuel gauge, OEM USB interface plate	\$	75.00
Slot 4: Radio plate 2398		
Slot 5/6: Double blank insert	\$	150.00
12 . Dual aluminum cup holder mounted on rear of console	\$	125.00
13 . Arm rests on console	\$	200.00
14 . Spotlight sent loose	\$	incl.
15 . Exhaust warning buzzer inside the console w/ Genset shutdown circuit	\$	incl.
16 . (1) red marker light in the ceiling near overhead console - wired into exhaust warning circuit	\$	200.00
17 . Run customer installed radio control cables for VHF/UHF and 800 MHz from cab to radio compartment	\$	150.00
18 . Run (2) ethernet cables to the front of console from the radio compartment	\$	150.00
19 . Furnish and install 10 LMR195 coax cables with NMOB connectors and covers. Run from module roof to the radio compartment	\$	650.00
	Total \$	1,700.00

Module Exterior:

20 . Paint module Frazer white to match chassis	\$	N/C
21 . *Striping and lettering to match your fleet	\$	2,550.00
22 . Conspicuity on the entire rear of the module including the doors in a chevron pattern - WHITE base - 8" alternating RED translucent and BLUE translucent overlay	\$	1,500.00
23 . 4" conspicuity (WHITE base) strips on inside of side entry door panel	\$	25.00
24 . 4" conspicuity (WHITE base) strips on inside of rear entry door panels	\$	50.00
25 . 4" conspicuity (WHITE base) strips on inside of applicable compartment door panels	\$	100.00
26 . All clear lenses on emergency LEDs	\$	N/C
27 . (8) Whelen M9 series red LED box lights	\$	600.00
28 . (4) Whelen M9 series LEDs on front wall - "Inverted V" configuration - (High 1, Mid 2, Low 2) (B/C - G/C - OPTICOM - R/A - B/C)	\$	600.00
29 . (4) Whelen M9 series LEDs on rear wall (C/R - A - A - C/R)	\$	400.00
30 . (1) Whelen M9 series LED load lights with flanges on rear of module (come ON w/ reverse)	\$	75.00
31 . (2) Whelen M9 series red brake/tail/turn LEDs w/ red lenses	\$	300.00
32 . (2) Whelen M9 series wheel well LEDs (R/A - amber to the front)	\$	250.00
33 . (2) Customer provided Whelen Pioneer Plus surface mount dual floodlights wired to terminal strip in electrical compartment and then to Whelen Control base	\$	275.00
34 . ICC clearance lights above corner/box lights	\$	incl.
35 . (2) Grote 4" round BTT red LEDs in the rear bumper panel on each side	\$	incl.

36 . (2) Grote 4" round back-up clear LEDS in the rear bumper panel on each side	\$	incl.
37 . Customer provided Opticom on the front wall - Wire to Whelen Control base in electrical compartment	\$	300.00
38 . Customer provided GPS Opticom base without antenna in electrical compartment	\$	200.00
39 . Cummins Onan 5.5kW commercial generator system w/ fuel gauge on console & locking gas cap	\$	incl.
40 . Dual 20 amp straight blade shore power receptacles on driver's side front wall of module (Label shore power #1 as "Module", and shore power #2 as "Air Conditioner")	\$	N/C
41 . Install (2) Customer provided green LEDs on dual 20 amp straight blade shore power receptacles	\$	75.00
42 . Shore power ignition kill switch	\$	250.00
43 . Wire the block heater to Shore Power 1 with a labeled switch in the electrical compartment	\$	450.00
44 . Diamond plate on front corners, wheel wells, and rear	\$	incl.
45 . Rear inside/outside storage compartment w/ shelf below inside access opening	\$	N/C
46 . O2 compartment with a laydown "H" cylinder & (2) shelves; lower shelf 20" from floor of compartment, upper shelf 10 1/4" ID above the lip of the lower shelf	\$	150.00
47 . Customer provided Streamlight LiteBox flashlight charger mounted towards insert and rear wall of O2 compartment - wired battery hot	\$	100.00
48 . Standard long lower storage compartment w/ gas hold open	\$	incl.
49 . Standard radio compartment	\$	incl.
50 . Electrical system decal applied to interior of compartment access door	\$	incl.
51 . Standard electrical compartment w/ 60 amp On-board chassis battery charger (wired to shore power & onan) on front wall in lieu of standard	\$	100.00
52 . Furnish & install Progressive Dynamics in lieu of Lambda power supply	\$	N/C
53 . Whelen WeCan base 1/4" off of the floor in the electrical compartment	\$	500.00
54 . Split compartment/door indicators: one for all driver's side wall, one for passenger's side wall, one for rear wall	\$	300.00
55 . Exterior emergency light wiring:	\$	2,175.00
<p>All emergency light's power wires are wired to the terminal strip in the electrical compartment, then wired to the Whelen Control base</p> <p>Ground all emergency lights together to a single wire for each wall, run single wires to electrical compartment ground stud.</p> <p>Grille lights will not be powered off mega fuse stud under hood. Run all 14ga Secondary wiring for grille lights to electrical compartment. Label each wire per wiring diagram - Ensure each wire is labeled at both end</p> <p>Set all lights to steady burn</p>		
56 . Special WeCan Wiring Instructions:	\$	425.00
<p>Install Customer provided Alpha siren in electrical compartment - wire to customer provided Whelen Control base in lieu of standard siren</p> <p>Run Federal Signal AS124 speaker wiring from front grille guard to electrical compartment.</p> <p><i>Note - The Driver side speaker will terminate to the WeCan siren and the Passenger speaker will terminate to the Alpha siren.</i></p> <p>Run TAP 2 wire from console to the electrical compartment. This will terminate to Whelen WeCan Tap 2 relay.</p>		

Run 14-2 cable from foot switch in chassis cab to the Electrical compartment.
 Terminate white wire to the WeCan Siren and black wire to Air Horn valve
 Terminate wigwag wiring from WeCan to dodge chassis VSIM wigwag wiring
 inside road safety harness. Refer to wiring diagram.

57 . Run customer installed Road Safety harness from cab to electrical compartment & Install (2) Road Safety spotter switches: one below A/C vent on rear wall exterior, and one next to A/C vent on driver's side interior wall; run wire from switches to electrical compartment for future termination	\$ 175.00
58 . Standard rear backboard compartment	\$ incl.
59 . Double step well (no body drop)	\$ 200.00
60 . Zico VS-24-9 step at side main entry (Do not use proximity switch use a plunger switch & do not to use a 4 pin plug when wiring the Zico step under the driver side entry door. Use weatherproof butt splice terminations)	\$ 2,500.00
61 . Key electrical & radio compartments to J210	\$ incl.
62 . Furnish & install electric locks on the front I/O, side entry & rear entry doors - works with chassis locks & Hidden weatherproof switch behind the center of the grille guard	\$ 1,400.00
63 . Double 6061-T6 structural members welded at all vertical and horizontal wall intersections	\$ incl.
64 . LED flex strip lighting in applicable compartments including electrical compartment	\$ 200.00
Total	\$ 16,225.00

Module Interior:

65 . 120VAC Dometic filtered air conditioning and heat w/ thermostat at the action wall – Location 7	\$ incl.
66 . Aluminum powder coated interior cabinets	\$ incl.
67 . Stainless steel countertops	\$ incl.
68 . SpecTape-Insulfab insulation and sound deadening material in ceiling, walls and doors	\$ incl.
69 . Double-pane entry door windows	\$ incl.
70 . Yellow Stainless steel grab handles (no rear wall grab bar)	\$ 200.00
71 . IV pump bar at end of the action wall (from the cabinet to the countertop) for a 12' unit - Safety yellow	\$ 200.00
72 . SSCOR brand suction at action wall – Location 9	\$ incl.
73 . 3 place switch panel (Interior lights (ON/OFF), Dimmer switch for LED interior lighting (HI/LOW), blank switch) – Location 2	\$ incl.
74 . Standard dump bypass/rear load switch plate	\$ incl.
75 . Genset START/STOP switch at rear entry doors	\$ 225.00
76 . Sharps container and bracket at the action wall in standard location	\$ incl.
77 . Small acrylic holder at the end of the action wall	\$ incl.
78 . Large acrylic holder aft of the CPR seat	\$ incl.
79 . Stainless steel squad bench and action wall wrappers	\$ incl.
80 . (8) Grote LED interior ceiling lights w/ non-standard switching (This unit doesn't get the driver's side front interior LED wired separately from the others, ON/OFF interior light switch at the console that controls all of the interior LEDs, ON/OFF interior light switch at the action wall that controls all of the interior LEDs, HIGH/LOW interior light switch at the action wall that controls all of the interior LEDs)	\$ 200.00

81 . Yellow overhead grab rails	\$	50.00
82 . Extra Yellow overhead grab rail	\$	275.00
83 . (2) IV hangers in ceiling	\$	incl.
84 . Lonseal "Lonfloor" vinyl flooring-sapphire	\$	incl.
85 . Alucabond aluminum & polyethylene plastic sub-floor	\$	incl.
86 . Install customer provided floor rail track for Stryker Power-LOAD system - run wiring and leave coiled for future install of system by customer, do not install fuse	\$	1,500.00
87 . Install 14" rear entry threshold in lieu of standard	\$	100.00
88 . Dual O2 outlet at action wall (Location 1), single O2 outlet above squad bench	\$	incl.
89 . Customer provided special Amerex 807 fire extinguisher bracket mounted on back wall (exterior view) at the floor of the front I/O towards rear of module	\$	75.00
90 . Customer provided special Amerex 807 fire extinguisher bracket on back wall towards rear wall at the floor of the O2 compartment	\$	75.00
91 . Magnetically attached seamless cushions	\$	incl.
92 . 120VAC duplex outlet 24" from the floor of the I/O compartment (typically above shelf)	\$	incl.
93 . 120VAC duplex at the laydown O2 box in standard location	\$	incl.
94 . 120VAC duplex outlet above sharps container at the action wall	\$	150.00
95 . 120VAC duplex outlet on rear wall in upper stacked linen cabinet ABOVE the shelf	\$	150.00
96 . 120 VAC quad outlet at the action wall – Location 8	\$	incl.
97 . 3 receptacle 12VDC outlet WITH a medical diode isolator above the shelf with the openings facing down, towards passenger's side and 37 7/8" above the floor of the compartment 12' units - battery hot	\$	150.00
98 . Standard laydown O2 box w/ Lexan lid	\$	incl.
99 . Engel 15 qt. refrigerator w/ 120VAC adapter and locking hasp	\$	900.00
100 . Standard front wall cabinets	\$	incl.
101 . Standard front corner area	\$	incl.
102 . Run (1) CAT 5 cable - from radio compartment to front corner area for future installation of MedixSafe	\$	100.00
103 . Run 12VDC power to the front corner area for a future MedVault or MedixSafe	\$	100.00
104 . Grey trash can in the top opening at the head of the squad bench	\$	incl.
105 . Powder coated plate on squad bench wall below back cushions - cut plate size 0.80 x 6.5" x 66.25"	\$	100.00
106 . 4 high glove box holder at the forward end of the squad bench mounted horizontally	\$	175.00
107 . Single squad bench cabinet with blue Wise trim all the way around in front position	\$	300.00
108 . Upper linen cabinet on the rear wall with a sliding lexan door (with padding at top) and Lower linen cabinet with stainless cladding on the rear wall with a hinged lexan door (hinged towards the rear) both with inventory tag holes	\$	1,400.00
109 . Standard Front I/O w/ compartment below	\$	incl.
110 . Powder coated plate on front wall above shelf in front I/O	\$	100.00
111 . Stainless cladding on standard front I/O and shelf for 12' unit	\$	125.00
112 . Ribbed rubber on front I/O shelf/shelves	\$	incl.
113 . 3 high "D" cylinder holder in front front I/O towards front wall facing passenger side of module	\$	225.00

114 . Radio speakers in module off chassis radio w/ volume control at action wall (Location 3)	\$	450.00
115 . Install customer provided Blue captain's chair with 3 pt. harness	\$	-500.00
116 . Blue cushions including single CPR seat w/ non-locking lid & squad bench	\$	N/C
117 . Oxygen regulator	\$	150.00
	Total \$	6,975.00

Terms and Conditions

- 1 . This quote is valid for 90 days.
- 2 . All pricing is F.O.B. Houston.
- 3 . Please make your purchase order out to Frazer, Ltd. (P.O.Box 5000, Houston, TX 77402). Please email a copy of your purchase order and this quote to Adam Fischer at sales@frazerbilt.com.
- 4 . Please note, payment for the entire purchase is due upon receipt and acceptance of completed unit.
- 5 . To minimize delays, customer provided items should be present prior to unit production start.
- 6 . Frazer will provide a weight slip with accompanying scale calibration certification. Your local vehicle registration office may require a state certified weight slip for registration. Should that be the case, you will need to weigh the vehicle at a local weigh station that provides a weight slip with the department of agriculture seal prior to registration.
- 7 . *Striping and lettering pricing may be adjusted based on the company's scheme. Striping and lettering pricing includes two hours' design time in the base price. Additional design time for more extensive graphics and/or multiple changes is quoted at \$100/hour.

Thank you for the opportunity to quote this job. If you have any questions please call me at 888-372-9371.

Best Regards,



Laura Richardson
Frazer, Ltd.

LGR: KVG

**EMS Equipment**Remit To:
1901 Romance Road Parkway
Portage, MI 49002

Purchase Order #

Billing Address

Diane Sandel
MCHD-EMS
1300 S. Loop 336 West
Conroe, Texas 77304
936-521-5622
dsandel@mchd-tx.org

Shipping Address

Diane Sandel
MCHD-EMS
1300 S. Loop 336 West
Conroe, Texas 77304
936-521-5622
dsandel@mchd-tx.org

Quote Info

Date: 4/8/16
Quote #: 01102
Terms: Net 30
Contact: Gary Montana
Phone: 817-846-0415
Fax: 866-384-4353
Email: gary.montana@stryker.com

Ambulance Cot				\$17,364.32	
Qty	Part #	Description	Unit	Extended	
1	6506	Power-PRO XT	\$13,101.14	\$13,101.14	
1	6506-040-00 0	XPS Side Rail	\$1,647.38	\$1,647.38	
1	6500-310-00 0	2 Stage IV Pole (patient right)	\$222.22	\$222.22	
1	6500-147-00 0	Equipment Hook	\$42.64	\$42.64	
1	6506-127-00 0	Power-LOAD Cot Compatibility	\$1,394.82	\$1,394.82	
1	6500-130-00 0	Pocketed Back Rest Pouch	\$212.38	\$212.38	
1	6500-128-00 0	Head End Storage Flat	\$113.16	\$113.16	
1	6506-038-00 0	Steer-Lock	\$630.58	\$630.58	

Power-LOAD System				\$22,315.40	
Qty	Part #	Description	Unit	Extended	
1	6390-029-00 0	Power-LOAD without Floor Plate Kit	\$21,525.00	\$21,525.00	
1	6390-700-00 1	Power-LOAD Floor Plate Kit	\$790.40	\$790.40	

Stair-PRO				\$2,903.64	
Qty	Part #	Description	Unit	Extended	
1	6252	Stair-PRO	\$2,830.64	\$2,830.64	
1	6252-040-00 0	Head Support	\$73.00	\$73.00	

Sub-Total	\$42,583.36
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Grand Total	\$42,583.36
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Terms & Conditions

Terms and conditions: Cot, all cot accessories on original order, and aftermarket accessories FOB origin. Applicable sales tax will be applied at time of invoicing. Order subject to Stryker Corporation's approval. Credit cannot be allowed on return of special or modified items. All approved returns will be accepted only in Kalamazoo, Michigan. Proposal valid for 30 days from submittal.

Printed Name

Signature

Date

From: Diana A. Bowers [mailto:dbowers@glatfelters.com]

Sent: Monday, April 18, 2016 8:42 AM

To: Sullivan, Wayde

Subject: 2014 Dodge/Frazer Ambulance / Claim# TXCM216040003-00001 Agreed value settlement - buyback request

Importance: High

Good Morning Mr. Sullivan,

I have received the buyback amount for the captioned ambulance at \$9200.00. If you retain the ambulance, you do not need to send us the title. We are required to notify the state of Texas that the vehicle was owner retained and our salvage department will take care of that. You do not need to send us any documentation.

Please confirm that you still wish to retain the ambulance. Once I receive confirmation from you, I will issue payment in the amount \$120,800.00 which represents the agreed value limit of \$130,000.00 less the salvage purchase amount of \$9,200.00 = \$120,800.00

Thank you.

Sincerely,

Diana A. Bowers | Auto Specialist
Glatfelter Claims Management, Inc.
P.O. Box 5126 | York, PA 17405
800.233.1957 x7671 | F: 717.747.7051 | [Email](#)

Confidentiality Notice: The information contained in this communication, including all attachments, is legally protected information, confidential or proprietary information, or a trade secret intended solely for the use of the intended recipient. The information may also be subject to legal privilege. If you are not the intended recipient, you are hereby notified that any use, disclosure, dissemination, distribution, forwarding, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender by reply Fax or e-mail stating the communication was "received in error" and delete or destroy all copies of this communication, including all attachments.



Stryker 7 Year Agreement

MCHD Estimated Single Year Contract Progression			
Product	Year:	Contract Type	Price
Power Load	1	PM Only	\$14,726
Power Pro		PM Only	\$9,213
Power Load	2	Protect	\$60,633
Power Pro		PM Only	\$9,489
Power Load	3	Protect	\$62,452
Power Pro		Protect	\$36,700
Power Load	4	Protect	\$64,326
Power Pro		Protect	\$37,801
Power Load	5	Protect	\$66,255
Power Pro		Protect	\$38,935
Power Load	6	Protect	\$68,243
Power Pro		Protect	\$40,103
Power Load	7	Protect	\$70,290
Power Pro		Protect	\$41,306
Total Estimated Value:			\$620,472

*Value is based on projected 3% contract price increase per year.

•Power Pro Cots include a 2 year manufacturer warranty which excludes preventative maintenance (PM).

•Power Loads include a 1 year manufacturer warranty which excludes preventative maintenance (PM).

•Stryker Protect includes parts, labor, travel and 1 PM per year.

7 Year Proposal	Single Year Payments	Estimated Savings
\$411,124	\$620,472	\$209,348

ProCare

stryker

Sales Rep Name: Gary Montana
ProCare Service Rep: Greg VanderMeer

3800 E. Centre Ave
Portage, MI 49009

Date: 4/11/2016
ID #: 160411151823

PROCARE PROPOSAL SUBMITTED TO:

Account Number: 1123951
Account Name: Montgomery County Hospital District
Account Address: 1300 S Loop 336 W
City, State Zip: Conroe, TX 77304

Name:
Title:
Phone:
Email:

PROCARE COVERAGE

Item No.	Model Number	Model Description	ProCare Program	Qty	Yrs	Annual Price	Total
1	6390	Power-LOAD	EMS Protect	36	7	\$274,932.00	\$274,932.00
1	6506	Power-PRO XT	EMS Protect	36	7	\$138,672.00	\$138,672.00

PROGRAM INCLUDES:

EMS Protect:

Includes parts, labor, travel, 1 annual PM inspection, unscheduled service and product equipment checklists. Replacement parts do not include mattresses, batteries, and other disposable or expendable parts.

ProCare Total	\$413,604.00
Credit	\$2,480.00
FINAL TOTAL	\$411,124.00

Start Date: 4/1/2016
End Date: 3/31/2023

Stryker Signature _____ Date _____ Customer Signature _____ Date _____

SERIAL NUMBER SHEET

Item No.	Model	Serial Number
1	6390	160139804
2	6390	160139805
3	6390	160139806
4	6390	160139807
5	6390	160139808
6	6390	160139810
7	6390	160139811
8	6390	160139812
9	6390	160139813
10	6390	160139814
11	6390	160139815
12	6390	160139816
13	6390	160139817
14	6390	160139818
15	6390	160139819
16	6390	160139820
17	6390	160139821
18	6390	160139822
19	6390	160139823
20	6390	160139824
21	6390	160139825
22	6390	160139826
23	6390	160139827
24	6390	160139828
25	6390	160139829
26	6390	160139830
27	6390	160139831
28	6390	160139832
29	6390	160139833
30	6390	160139834

53	6506	160140322
54	6506	160140323
55	6506	160140324
56	6506	160140325
57	6506	160140326
58	6506	160140327
59	6506	160140328
60	6506	160140329
61	6506	160140330
62	6506	160140331
63	6506	160140332
64	6506	160140333
65	6506	160140334
66	6506	160140335
67	6506	160140336
68	6506	160140337
69	6506	160140338
70	6506	160140339
71	6506	140340100
72	6390	140141380

SERVICE AGREEMENT

This document sets forth the entire Product Service Plan Agreement ("Agreement") between Stryker Medical, a division of Stryker Corporation, hereinafter referred to as Stryker, and Montgomery County Hospital District, hereinafter referred to as Customer. This is the entire Agreement and no other oral modifications are valid. This Agreement will remain in effect unless canceled or modified by either party according to the following terms and conditions.

1. COVERAGE AND TERM

The product service plan coverage, term, start date, and price of the Service Plan appear on the Service Agreement attached and the Service Plan Covers the equipment set forth on Exhibit A (collectively, the "Equipment").

2. EQUIPMENT SCHEDULE CHANGES

During the term of the Agreement and upon each party's written consent, additional Equipment may be included in the Exhibit A. All additions are subject to the terms and conditions contained herein. Stryker shall adjust the charges and modify the schedule to reflect the additions.

3. INSPECTION SCHEDULING

Service inspections will be scheduled in advance at a mutually agreed upon time for such period of time as is reasonably necessary to complete the service. Equipment not made available at the specified time will be serviced at the next scheduled service inspection unless specific arrangements are made with Stryker. Such arrangements will include travel and other special charges at Stryker's then current rates.

4. INSPECTION ACTIVITY

On each scheduled service inspection, Stryker's Service Representative will inspect each available item of Equipment as required in accordance with Stryker's then current Maintenance procedures for said Equipment. If there is any discrepancy or questions on the number of inspections, price, or Equipment, Stryker may amend this Agreement.

5. SERVICE INVOICING

Invoices will be sent on the agreed payment method. All prices are exclusive of state and local use, sales or similar taxes. In states assessing upfront sales and use tax, your payments will be adjusted to include all applicable sales and use tax amortized over the Service Plan term using a rate that preserves for Stryker, its affiliates and /or assigns, the intended economic yield for the transaction described in this Agreement. All invoices issued under this Agreement are to be paid within thirty (30) days of the date of the invoice. Failure to comply with Net 30 Day terms will constitute breach of contract and future service will only be made on a prepaid or COD basis, or until the previous obligation is satisfied, or both. Stryker reserves the right, with no liability to Stryker, to cancel any contract on the basis of payment default for any previous product or service provided by Stryker Sales Corporation or any of its affiliates.

9. SERVICE PLAN WARRANTY AND LIMITATIONS

During the term of the Service Plan, Stryker will maintain the Equipment in good working condition. Equipment and Equipment components repaired or replaced under this Service Plan continue to be warranted as described herein during the Service Plan term. When Equipment or component is replaced, the item provided in replacement will be the customer's property and the replaced item will be Stryker's property. If a refund is provided by Stryker, the Equipment for which the refund is provided must be returned to Stryker and will become Stryker's property. There are no express or implied warranties by Stryker other than the warranties hereinabove described with respect to the Service Plan or the Equipment covered thereunder, including without limitation, warranty of merchantability or fitness for a particular purpose. Notwithstanding any other provision of this Agreement, the Service Plan does not include repairs or other services made necessary by or related to, the following: (1) Abnormal wear or damage caused by misuse or by failure to perform normal and routine maintenance as set out in the Stryker Maintenance Manual or Operating Instructions. (2) Accidents (3) Catastrophe (4) Acts of God (5) Any malfunction resulting from faulty maintenance, improper repair, damage and/or alteration by non-Stryker authorized personnel (6) Equipment on which any original serial numbers or other identification marks have been removed or destroyed; or (7) Equipment that has been repaired with any unauthorized or non-Stryker components. In addition, in order to ensure safe operation of Stryker Equipment, only Stryker accessories should be used. Stryker reserves the right to invalidate the Service Plan and complimentary loaner programs if Equipment is used with accessories not manufactured by Stryker

10. WAIVER EXCLUSIONS

No failure to exercise, and no delay by Stryker in exercising any right, power or privilege hereunder shall operate as a waiver thereof. No waiver of any breach of any provision by Stryker shall be deemed to be a waiver by Stryker of any preceding or succeeding breach of the same or any other provision. No extension of time by Stryker for performance of any obligations or other acts hereunder or under any other Agreement shall be deemed to be an extension of time for performances of any other obligations or any other acts by Stryker.

11. LIMITATION OF LIABILITY

Stryker's liability on any claim whether in contract or otherwise, for any loss or damage arising out of, connected with or resulting from the repair of any product furnished hereunder shall in no event exceed the price paid for said repair which gives rise to the claim. In no event shall Stryker be liable for incidental, consequential or special damages. Notwithstanding the foregoing, nothing herein shall be deemed to disclaim Stryker's liability to third parties resulting from the sole negligence of Stryker as determined by a court of law.

12. TERMINATION

The Agreement may be canceled by either party by giving a thirty (30) days prior written notice of any such cancellation to the other party. If this Agreement is canceled during or before the expiration date of the Agreement, Customer will owe for the months covered up to the cancellation date of the Agreement and for any parts, labor, and travel charges, required to maintain Equipment, exceeding that already paid during the Agreement.

13. FORCE MAJEURE

15. INSURANCE REQUIREMENTS

Stryker shall maintain from insurers (with an A.M. Best rating of not less than A-) the following insurance coverages during the term of this Agreement: (i) commercial general liability coverage with minimum limits of \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate applying to bodily injury, personal injury, and property damage; (ii) automobile insurance with combined single limits of \$1,000,000 for owned, hired, and non-owned vehicles; (iii) worker's compensation insurance as required by applicable law. Stryker's general liability insurance policy shall include Customer as an additional insured. Certificates of insurance shall be provided by Stryker prior to commencement of the services at any premises owned or operated by Customer. To the extent permitted by applicable laws and regulations, Stryker shall be permitted to meet the above requirements through a program of self insurance. If we elect to self-insure, such self-insurance shall also be administered pursuant to a reasonable self-insurance program crafted by Stryker and reasonably accepted by Customer.

16. WARRANTY OF NON-EXCLUSION

Each party represents and warrants that as of the Effective Date, neither it nor any of its employees, are or have been excluded terminated, suspended, or debarred from a federal or state health care program or from participation in any federal or state procurement or non-procurement programs. Each party further represents that no final adverse action by the federal or state government has occurred or is pending or threatened against the party, its affiliates, or, to its knowledge, against any employee, Stryker, or agent engaged to provide items or services under this Agreement. Each party also represents that if during the term of this Agreement it, or any of its employees becomes so excluded, terminated, suspended, or debarred from a federal or state health care program or from participation in any federal or state procurement or non-procurement programs, such will promptly notify the other party. Each party retains the right to terminate or modify this Agreement in the event of the other party's exclusion from a federal or state health care program.

17. COMPLIANCE

To the extent required by law the following provision applies: Customer and Stryker agree to comply with the Omnibus Reconciliation Act of 1980 (P.L. 96-499) and its implementing regulations (42 CFR, Part 420). To the extent applicable to the activities of Stryker hereunder, Stryker further specifically agrees that until the expiration of four (4) years after furnishing services and/or products pursuant to this Agreement, Stryker shall make available, upon written request of the Secretary of the Department of Health and Human Services, or upon request of the Comptroller General, or any of their duly authorized representatives, this Agreement and the books, documents and records of Stryker that are necessary to verify the nature and extent of the costs charged to Customer hereunder. Stryker further agrees that if Stryker carries out any of the duties of this Agreement through a subcontract with a value or cost of ten thousand dollars (\$10,000) or more over a twelve (12) month period, with a related organization, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request to the Secretary, or upon request to the Comptroller General, or any of their duly authorized representatives the subcontract, and books and documents and records of such organization that are necessary to verify the nature and extent of such costs.

18. HIPAA

All medical information and/or data concerning specific patients (including, but not limited to, the identity of the patients), derived from or obtained during the course of the Agreement, shall be treated by both parties as confidential so as to comply with all applicable state and federal laws and regulations regarding confidentiality of patient records, and shall not be released, disclosed, or published to any party other than as required or permitted under

Agenda Item # 22



We Make a Difference!

To: Board of Directors

From: Melissa Miller, COO/Phil Daniel, Facilities Manager

Date: April 26, 2016

Re: **RFP Contracted Electrical Services**

Consider and act on request for proposal for Electrical Repair and Upgrades to MCHD – Owned Facilities

The purpose of this RFP is to contract for the provision of electrical repair and electrical upgrade services for existing Montgomery County Hospital District (“MCHD”) owned facilities located throughout Montgomery County.

The sealed RFP was released March 1st, 2016 and closed March 31st, 2016. We received one qualified bid from Partners Electrical Services.

MCHD budgeted \$45,000.00 for the repairs and upgrades listed below however, the proposal is for electrical services at all MCHD locations.

Administration – 1300 S Loop 336 W Conroe, TX – Shore Line Upgrades, Install Plugs

Administration Secured Parking – 1300 S Loop 336 W Conroe, TX – Install Plugs

Administration Radio Tower – 1300 S Loop 336 W Conroe, TX – Install Plugs

Service Center – 1300 S Loop 336 W Conroe, TX – Shore Line Upgrades, Install Plugs

EMS Station 11 – 1300 S Loop 336 W Conroe, TX – Shore Line Upgrades

EMS Station 12 – 14421 Hwy 105 E Cut-N-Shoot, TX – Shore Line Upgrades

EMS Station 13 – 200 S. Kennedy Willis, TX – Shore Line Upgrades

EMS Station 41 – 12527 Patridge Pinehurst, TX – Shore Line Installation, Exit Lights

Price for each employee providing services to MCHD per this RFP,

- | | |
|---------------------------------------|-----------------------------|
| 1) Licensed Electrician – Hourly Cost | \$ <u>77.50</u> per hour |
| 2) Apprentice/Helper – Hourly Cost | \$ <u>41.50</u> per hour |
| 3) Consultant (if applicable) | \$ <u>200.00</u> per hour |
| 4) Travel Time/Expense | \$ <u>10.00</u> Fuel Charge |

MCHD Surplus/Salvage
April 2016

Qty	Serial Number	MCHD Tag	Product Description	S/S	Reason
1	VIN: 3D6WG46T99G529562	NA	2009 Dodge Ram 3500	Surplus	Old shop 10 from remount; 176,269 miles.

AGENDA ITEM: 28

CONSIDER AND ACT UPON RECOMMENDATIONS FOR AMENDMENTS TO BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2016

BUDGET AMENDMENT – SEPTEMBER 30, 2016

THAT WHEREAS, therefore on September 1, 2015 the Board heard and approved the budget for the year 2015/2016 for the benefit of Montgomery County Hospital District; and

WHEREAS, to meet unusual and unforeseen conditions, which could not by reasonable and diligent thought and attention, have been included in the budget for 2015/16 adopted on September 1, 2015, or a line item transfer has been requested with no impact on the original budget, or a line item transfer has been requested with a positive impact on the original budget; and

WHEREAS, the Board by and through this budget amendment intends to reflect the funding provided and expenses incurred as a result of its operation and management of the Montgomery County Hospital District for the year 2015/2016 pursuant to its contractual responsibilities therefore.

NOW, THEREFORE, BE IT RESOLVED that upon motion of MR. GRICE, seconded by MRS. WAGNER and duly carried by the following vote: AYES: 7 NAYS: 0, the following amendment(s) to said budget is/are hereby authorized:

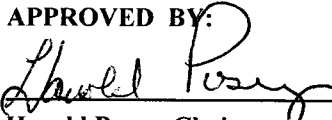
Budget Amendment 3 - September 30, 2016					
Line	Account Number	Account Description	FY 2016 Annual Budget	FY 2016 Amended Budget	Increase / (Decrease) Net Revenue Over Expenses
1	10-011-52900	Collection Fees	344,114.00	342,814.00	(1,300.00)
2	10-011-53150	Conferences-Fees, Travel, and Meals	10,801.00	12,101.00	1,300.00
3	10-025-51100	Regular Pay	231,685.00	213,685.00	(18,000.00)
4	10-025-51400	Stipend	0.00	18,000.00	18,000.00
5	10-001-52600	Books/Materials	12,600.00	600.00	(12,000.00)
6	10-025-51800	Unemployment Insurance	63,230.00	54,355.00	(8,875.00)
7	10-025-57400	Relocation Expense	4,000.00	0.00	(4,000.00)
8	10-025-57100	Professional Fees	74,600.00	99,475.00	24,875.00
9	10-008-53900	Disposable Medical Supplies	860,293.68	888,920.68	28,627.00
10	10-004-57100	Professional Fees	429,474.70	379,474.70	(50,000.00)
11	10-004-57200	Radio Repairs - Outsourced	59,994.00	39,994.00	(20,000.00)
12	10-040-52753	Capital Purchase-Building Improvements	0.00	630,580.00	630,580.00
13	10-040-52756	Capital Purchases-Leasehold Improvement	225,000.00	0.00	(225,000.00)
14	10-010-54700	Fuel - Fleet	628,769.00	495,658.00	(133,111.00)
15	10-016-55600	Maintenance & Repairs - Buildings	523,070.50	498,974.50	(24,096.00)
16	10-016-52754	Capital Purchase-Equipment	457,530.50	250,530.50	(207,000.00)
		Subtotal - Expenses	3,925,162.38	3,925,162.38	0.00
		Increase / (Decrease) Net Revenue over Expenses			0.00
		FY 2016 Annual Budget Change in Fund Balance			5,917,561.52
		FY 2016 Amended Budget Change in Fund Balance			5,917,561.52

AGENDA ITEM: 28
CONSIDER AND ACT UPON RECOMMENDATIONS FOR AMENDMENTS TO
BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2016

BUDGET AMENDMENT – SEPTEMBER 30, 2016

BOARD MEETING DATE: April 26, 2016

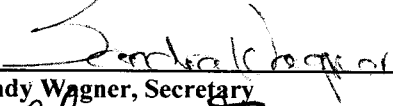
APPROVED BY:



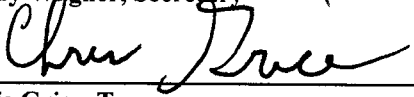
Harold Posey, Chairman



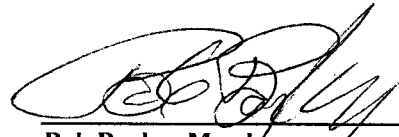
Mark Cole, Vice Chairman



Sandy Wagner, Secretary



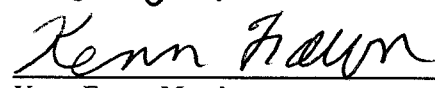
Chris Grice, Treasurer



Bob Bagley, Member



Georgette Whatley, Member



Kenn Fawn, Member