



Management's Discussion and Analysis
and Financial Statements
June 30, 2015 and 2014

Coal County Healthcare Authority

Coal County Healthcare Authority

Table of Contents
June 30, 2015 and 2014

Independent Auditor’s Report.....	1
Management's Discussion and Analysis	3
Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	11
Independent Auditor’s Report on Supplementary Information.....	26
Supplemental Information	
Schedules of Net Patient and Resident Service Revenue.....	27
Schedules of Other Operating Revenue	28
Schedules of Operating Expenses	29
Combining Schedules	
Statement of Net Position Information - June 30, 2015.....	30
Statement of Net Position Information - June 30, 2014.....	31
Statement of Revenues, Expenses and Changes in Net Position Information - June 30, 2015	32
Statement of Revenues, Expenses and Changes in Net Position Information - June 30, 2014.....	33
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Schedule of Findings and Responses.....	36



Independent Auditor's Report

Board of Trustees
Coal County Healthcare Authority
Coalgate, Oklahoma

Report on the Financial Statements

We have audited the accompanying statements of net position of Coal County Healthcare Authority (Authority), as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Coal County Healthcare Authority as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the Authority'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 the 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 Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
November 23, 2015

Introduction

Our discussion and analysis for Coal County Healthcare Authority (Authority) provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2015, 2014 and 2013. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

Financial Highlights

- The Authority's net position increased by \$476,804 or 14% in 2015 and increased \$1,602,281 or 84% in 2014.
- The Authority reported an operating loss in 2015 of \$473,065 and operating income of \$229,372 in 2014. During 2015, operating loss increased by \$702,437 or 306% compared to 2014 and operating income increased by \$308,744 or 389% in 2014 compared to 2013.
- Net nonoperating income increased by \$219,600 or 30% in 2015 compared to 2014 and increased \$650,724 or 818% in 2014 compared to 2013.

Using This Annual Report

The Authority's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

The Statement of Cash Flows

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

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the Statement of Net Position. The Authority's net position increased by \$476,804 or 14% in 2015 and increased \$1,602,281 or 84% in 2014 as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$ 3,894,985	\$ 3,262,630	\$ 1,936,895
Capital assets, net	1,017,813	1,166,637	1,132,910
Other noncurrent assets	68,324	123,846	90,513
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,981,122</u>	<u>\$ 4,553,113</u>	<u>\$ 3,160,318</u>
Liabilities			
Current liabilities	\$ 731,745	\$ 848,982	\$ 1,056,061
Long-term debt, less current maturities	271,086	202,644	205,051
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,002,831</u>	<u>1,051,626</u>	<u>1,261,112</u>
Net Position			
Net investment in capital assets	637,221	705,815	801,626
Unrestricted	3,341,070	2,795,672	1,097,580
	<u> </u>	<u> </u>	<u> </u>
Total net position	<u>3,978,291</u>	<u>3,501,487</u>	<u>1,899,206</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net position	<u>\$ 4,981,122</u>	<u>\$ 4,553,113</u>	<u>\$ 3,160,318</u>

Assets, Liabilities and Net Position

The Authority's assets increased by \$428,009 or 9% in 2015 and increased \$1,392,795 or 44% in 2014. The Authority's liabilities decreased by \$48,795 or 5% in 2015 and decreased \$209,486 or 17% in 2014.

Table 2: Operating Results and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues			
Net patient and resident service revenue	\$ 7,658,328	\$ 7,857,932	\$ 7,292,384
Other revenue	450,902	399,834	264,323
Total operating revenues	<u>8,109,230</u>	<u>8,257,766</u>	<u>7,556,707</u>
Operating Expenses			
Nursing services	3,846,626	3,292,124	3,142,374
Other professional services	1,410,891	1,328,782	1,277,373
General services	892,709	826,511	835,029
Administrative services	2,123,533	2,269,989	2,099,601
Depreciation and amortization	308,536	310,988	281,702
Total operating expenses	<u>8,582,295</u>	<u>8,028,394</u>	<u>7,636,079</u>
Operating Income (Loss)	<u>(473,065)</u>	<u>229,372</u>	<u>(79,372)</u>
Nonoperating Revenues (Expenses)			
Sales tax	966,603	750,790	96,296
Investment income	548	261	418
Interest expense	(18,295)	(20,782)	(17,169)
Gain of disposal of capital assets	1,013	-	-
Total nonoperating revenues (expenses)	<u>949,869</u>	<u>730,269</u>	<u>79,545</u>
Revenues in Excess of Expenses	476,804	959,641	173
Discontinued Home Health and Hospice Services			
Gain (Loss) on the disposal of operations	-	642,640	(99,480)
Changes in Net Position	476,804	1,602,281	(99,307)
Net Position, Beginning of Year	<u>3,501,487</u>	<u>1,899,206</u>	<u>1,998,513</u>
Net Position, End of Year	<u>\$ 3,978,291</u>	<u>\$ 3,501,487</u>	<u>\$ 1,899,206</u>

Operating Results

The first component of the overall change in the Authority's net position is its operating income - generally, the difference between net patient service revenues and the expenses incurred to perform those services.

The operating loss for 2015 increased by \$702,437 or 306% as compared to 2014 and operating income increased in 2014 by \$308,744 or 389% compared to 2013. The primary components of the decreased operating income are:

- A decrease in patient revenue, net of uncollectible accounts, of \$199,604 or 3% as compared to an increase in 2014 of \$565,548 or 8% as compared to 2013.
- An increase in nursing services of \$554,359 or 17% as compared to an increase in 2014 of \$149,750 or 5% as compared to 2013.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of sales tax revenue, interest expense and investment income. Sales tax revenues increased in 2015 by \$215,813 or 29% and increased \$654,494 or 680% in 2014. The interest expense decreased in 2015 by \$2,487 or 12% and increased \$3,613 or 21% in 2014.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.

Capital Asset and Debt Administration

At the end of 2015 and 2014, the Authority had \$1,017,813 and \$1,166,637 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets costing \$211,119 and \$165,889 during 2015 and 2014. The Authority leased new capital assets costing \$188,093 and \$178,816 during 2015 and 2014.

Debt

At June 30, 2015 and 2014, the Authority had \$380,592 and \$360,822 in capital lease obligations outstanding as detailed in Note 6. At June 30, 2015 and 2014, the Authority had \$10 and \$100,010 in notes payable outstanding as detailed in Note 6.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority administration by calling 580-927-2327.

Coal County Healthcare Authority
Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,142,058	\$ 604,263
Receivables		
Patient and resident, net of estimated uncollectibles of approximately \$847,000 in 2015 and \$850,000 in 2014	1,783,695	2,243,343
Estimated third-party payor settlements	298,796	153,870
Sales tax	223,411	155,558
Other	306,780	7,671
Supplies	140,245	97,925
Total current assets	3,894,985	3,262,630
Capital Assets		
Capital assets not being depreciated	124,063	188,563
Capital assets being depreciated, net	893,750	978,074
Total capital assets	1,017,813	1,166,637
Other Assets		
Total assets	\$ 4,981,122	\$ 4,553,113
Liabilities and Net Position		
Current Liabilities		
Current portion of long-term debt	\$ 109,506	\$ 158,178
Notes payable	10	100,010
Accounts payable		
Trade	438,520	410,009
Accrued expenses		
Salaries and wages	179,697	175,200
Deposits from residents	4,012	5,585
Total current liabilities	731,745	848,982
Long-Term Debt, Less Current Maturities		
Total liabilities	271,086	202,644
Total liabilities	1,002,831	1,051,626
Net Position		
Net investment in capital assets	637,221	705,815
Unrestricted	3,341,070	2,795,672
Total net position	3,978,291	3,501,487
Total liabilities and net position	\$ 4,981,122	\$ 4,553,113

Coal County Healthcare Authority
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$563,132 in 2015 and \$438,088 in 2014	\$ 7,658,328	\$ 7,857,932
Other revenue	450,902	399,834
Total operating revenues	8,109,230	8,257,766
Operating Expenses		
Nursing services	3,846,626	3,292,124
Other professional services	1,410,891	1,328,782
General services	892,709	826,511
Administrative services	2,123,533	2,269,989
Depreciation and amortization	308,536	310,988
Total operating expenses	8,582,295	8,028,394
Operating Income (Loss)	(473,065)	229,372
Nonoperating Revenues (Expenses)		
Sales tax	966,603	750,790
Investment income	548	261
Interest expense	(18,295)	(20,782)
Gain on disposal of capital assets	1,013	-
Total nonoperating revenues (expenses)	949,869	730,269
Revenues in Excess of Expenses	476,804	959,641
Discontinued Home Health and Hospice Services		
Gain on the disposal of operations	-	642,640
Change in Net Position	476,804	1,602,281
Net Position, Beginning of Year	3,501,487	1,899,206
Net Position, End of Year	\$ 3,978,291	\$ 3,501,487

Coal County Healthcare Authority
 Statements of Cash Flows
 Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 7,971,477	\$ 6,575,484
Other receipts and payments, net	452,804	396,795
Payments to suppliers and contractors	(4,181,232)	(3,369,831)
Payments to and behalf of employees	(4,107,828)	(4,118,539)
	135,221	(516,091)
Net Cash from (used for) Operating Activities		
Noncapital Financing Activities		
Proceeds from sales tax	898,750	691,528
Proceeds from short-term obligation	100,000	195,000
Repayment of short-term obligation	(200,000)	(344,990)
Interest paid on short term obligations	(6,963)	(6,412)
	791,787	535,126
Net Cash from Noncapital Financing Activities		
Capital and Capital Related Financing Activities		
Purchase of property and equipment	(211,119)	(165,899)
Proceeds from sale of capital assets	1,013	-
Principal payments on capital lease obligations	(168,323)	(149,278)
Interest paid on debt obligations	(11,332)	(14,370)
	(389,761)	(329,547)
Net Cash used for Capital and Capital Related Financing Activities		
Investing Activities		
Investment income	548	261
Discontinued operations	-	609,307
	548	609,568
Net Cash from Investing Activities		
Net Change in Cash and Cash Equivalents	537,795	299,056
Cash and Cash Equivalents, Beginning of Year	604,263	305,207
Cash and Cash Equivalents, End of Year	\$ 1,142,058	\$ 604,263

Coal County Healthcare Authority
 Statements of Cash Flows
 Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities		
Operating income (loss)	\$ (473,065)	\$ 229,372
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities		
Provision for bad debt	563,132	438,088
Depreciation and amortization	308,536	310,988
Changes in assets and liabilities		
Patient and resident receivables	(103,484)	(1,254,403)
Other receivables	1,902	(6,539)
Supplies	(42,320)	6,247
Prepaid expenses	(5,989)	3,060
Accounts payable	28,511	240,268
Accrued expenses	4,497	(20,539)
Deposits from patients	(1,573)	56
Estimated third-party settlements	(144,926)	(462,689)
Net Cash from (used for) Operating Activities	\$ 135,221	\$ (516,091)
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Equipment financed through capital lease arrangements	\$ 188,093	\$ 178,816
Transfer of other assets to other receivables	\$ 61,511	\$ -
Transfer of construction in progress to other receivables	\$ 239,500	\$ -

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Coal County Healthcare Authority (Authority) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Authority are described below.

Reporting Entity

The Authority is a public trust created on April 1, 2013, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The Authority's sole activity is the operation a 20 bed critical access hospital and a 75 bed nursing home facility to provide quality medical, surgical, hospital, and nursing care services for the residents of Coal County. The Authority has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 115. The Board of Trustees exercises governing oversight responsibility for the Authority which includes such duties as budget review, care of patients, and management of the facilities.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions, and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that the exclusion would cause the Authority's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority. The Authority does not have assets, liabilities or operations.

Blended Component Units

Coal County General Hospital Holding Company (Holding Company), Coal County General Hospital, Inc. (Hospital) and Coal County Extended Care, Inc. (Nursing Home) have been included as blended component units because the Authority is financially accountable for the Holding Company, Hospital and Nursing Home. Since the Hospital, Nursing Home and Holding Company perform health care related functions exclusively for the Authority, the Holding Company, Hospital and Nursing Home are included as blended component units of the Authority. The financial statements include only the financial activity of the Holding Company, Hospital, and Nursing Home, collectively referred to as the Authority. Financial statements of the Holding Company, Hospital, and Nursing Home can be obtained by contacting the Authority's Chief Financial Officer.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Authority's assets and liabilities with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Restricted – nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patients and residents and third-party payor obligations. Patient and resident receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Authority's collections procedures. The Authority does not charge interest on the unpaid patient receivables. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and residents and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Sales Tax

Effective April 1, 2013, the citizens of Coal County, Oklahoma, approved a 1% sales tax for the support of the Authority. The Authority received approximately 11% of its financial support from county appropriations related to sales tax in 2015 and 8% in 2014. These funds were used for operations, maintenance, and improvement of the Authority and its facilities.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Capital Assets

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Buildings and improvements	5-50 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Investment in Joint Ventures

Joint ventures in which the Authority has less than 20% ownership are stated at cost and dividends are recorded as investment income in the financial statements.

Compensated Absences

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

Operating Revenues and Expenses

The Authority's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Authority result from exchange transactions associated with providing health care services - the Authority's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient and Resident Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services provided under the Authority's charity care policy were approximately \$120,000 and \$54,000 for the years ended June 30, 2015 and 2014. Total direct and indirect costs related to these foregone charges were approximately \$72,000 and \$32,000 at June 30, 2015 and 2014, based on an average ratio of cost to gross charges.

Grants and Contributions

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

Supplemental Hospital Offset Payment Program Act

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds to the state of Oklahoma from federal sources. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

The Authority records receipts to contractual adjustments. The Authority received \$46,109 and \$66,768 during the years ended June 30, 2015 and 2014.

Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

Reclassifications

Reclassifications have been made to the June 30, 2014 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

Note 2 - Net Patient and Resident Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Coal County General Hospital, Inc.

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended June 30, 2013.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per discharge or established fee schedules.

Other carriers: The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Coal County Extended Care, Inc.

Medicare: Inpatient skilled care rendered to Medicare program beneficiaries are paid at prospectively determined rates.

Medicaid: Medicaid services are paid at prospectively determined rates.

Other carriers: The Nursing Home has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Nursing Home under these agreements includes prospectively determined rates and discounts from established charges.

Concentration of gross charges by major payor were as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Medicare	61%	61%
Medicaid	22%	21%
Blue Cross and other commercial payors	8%	8%
Self pay and other	9%	10%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended June 30, 2015 and 2014 decreased approximately \$37,000 and increased approximately \$27,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Note 3 - Deposits

The carrying amounts of deposits as of June 30, 2015 and 2014 are as follows:

	2015	2014
Carrying Amount		
Cash and deposits	\$ 1,142,058	\$ 604,263

Deposits are reported in the following statement of net position captions:

	2015	2014
Cash and cash equivalents	\$ 1,142,058	\$ 604,263

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. State statutes require public trusts to invest monies in financial institutions only in collateralized or insured certificates of deposit and other evidences of deposit. It is the Authority's practice to mainly invest in demand and time deposit accounts and certificates of deposit.

The Authority's deposits in banks at June 30, 2015 and 2014 were entirely covered by federal depository insurance or by collateral held by the Authority's custodial bank in the Hospital's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Income

Investment income on cash and other investments consists primarily of interest income for the years ended June 30, 2015 and 2014.

Note 4 - Capital Assets

Capital asset additions, transfers, retirements, and balances for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014	Additions	Transfers and Retirements	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 124,063	\$ -	\$ -	\$ 124,063
Construction in progress	64,500	175,000	(239,500)	-
Total capital assets not being depreciated	<u>\$ 188,563</u>	<u>\$ 175,000</u>	<u>\$ (239,500)</u>	<u>\$ 124,063</u>
Capital assets being depreciated				
Building and building improvements	\$ 2,665,081	\$ 17,595	\$ -	\$ 2,682,676
Equipment	2,721,978	18,524	(20,000)	2,720,502
Equipment under capital obligations	891,034	188,093	-	1,079,127
Total capital assets being depreciated	<u>6,278,093</u>	<u>\$ 224,212</u>	<u>\$ (20,000)</u>	<u>6,482,305</u>
Less accumulated depreciation for				
Building and building improvements	(2,471,388)	\$ (26,445)	\$ -	\$ (2,497,833)
Equipment	(2,312,945)	(120,581)	20,000	(2,413,526)
Equipment under capital obligations	(515,686)	(161,510)	-	(677,196)
Total accumulated depreciation	<u>(5,300,019)</u>	<u>\$ (308,536)</u>	<u>\$ 20,000</u>	<u>(5,588,555)</u>
Net capital assets being depreciated	<u>\$ 978,074</u>			<u>\$ 893,750</u>
Capital assets, net	<u>\$ 1,166,637</u>			<u>\$ 1,017,813</u>

Subsequent to June 30, 2015, the Authority terminated their contract for new software. Based on the provisions of the contract, the Authority has requested a refund. The \$239,500 has been recorded to other receivables.

Coal County Healthcare Authority
Notes to Financial Statements
June 30, 2015 and 2014

Capital asset additions, transfers, retirements, and balances for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Transfers and Retirements	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 124,063	\$ -	\$ -	\$ 124,063
Construction in progress	-	64,500	-	64,500
Total capital assets not being depreciated	\$ 124,063	\$ 64,500	\$ -	\$ 188,563
Capital assets being depreciated				
Building and building improvements	\$ 2,665,081	\$ -	\$ -	\$ 2,665,081
Equipment	2,620,579	101,399	-	2,721,978
Equipment under capital obligations	712,218	178,816	-	891,034
Total capital assets being depreciated	5,997,878	\$ 280,215	\$ -	6,278,093
Less accumulated depreciation for				
Building and building improvements	(2,442,068)	\$ (29,320)	\$ -	\$ (2,471,388)
Equipment	(2,197,251)	(115,694)	-	(2,312,945)
Equipment under capital obligations	(349,712)	(165,974)	-	(515,686)
Total accumulated depreciation	(4,989,031)	\$ (310,988)	\$ -	(5,300,019)
Net capital assets being depreciated	\$ 1,008,847			\$ 978,074
Capital assets, net	\$ 1,132,910			\$ 1,166,637

Note 5 - Leases

The Authority leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense for the years ended June 30, 2015 and 2014 for all operating leases was approximately \$109,000 and \$110,000. The capitalized leased assets consist of:

	2015	2014
Major Movable Equipment	\$ 1,079,127	\$ 891,034
Less Accumulated Amortization	(677,196)	(515,686)
	\$ 401,931	\$ 375,348

Minimum future lease payments for operating leases agreements are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2016	\$ 24,074
2017	4,824
2018	4,824
2019	3,210
2020	836
 Total minimum lease payments	 <u><u>\$ 37,768</u></u>

For future maturities of capital leases, see Note 6.

Note 6 - Notes Payable and Long-Term Debt

A schedule of changes in the Authority's notes payable for 2015 and 2014 is as follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Line of credit (1)	\$ 10	\$ -	\$ -	\$ 10	\$ 10
Line of credit (2)	100,000	100,000	(200,000)	-	-
	<u>\$ 100,010</u>	<u>\$ 100,000</u>	<u>\$ (200,000)</u>	<u>\$ 10</u>	<u>\$ 10</u>
	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Line of credit (1)	\$ 250,000	\$ 95,000	\$ (344,990)	\$ 10	\$ 10
Line of credit (2)	-	100,000	-	100,000	100,000
	<u>\$ 250,000</u>	<u>\$ 195,000</u>	<u>\$ (344,990)</u>	<u>\$ 100,010</u>	<u>\$ 100,010</u>

(1) Line of credit up to \$250,100, 5% interest rate, due May 6, 2016, collateralized by inventory and accounts receivable.

(2) Line of credit up to \$442,600, 5% interest rate, due February 25, 2015, collateralized by inventory and accounts receivable.

Coal County Healthcare Authority
Notes to Financial Statements
June 30, 2015 and 2014

A schedule of changes in the Authority's long-term debt for 2015 and 2014 is as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Capital lease obligations (1)	\$ 360,822	\$ 188,093	\$ (168,323)	\$ 380,592	\$ 109,506
	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Capital lease obligations (1)	\$ 331,284	\$ 178,816	\$ (149,278)	\$ 360,822	\$ 158,178

(1) Capital leases with interest rates at 3.65%, collateralized by associated equipment, with varying maturity dates from May 2016 through April 2020.

Long-term debt maturities are as follows:

Year Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2016	\$ 109,506	\$ 11,851	\$ 121,357
2017	107,695	8,051	115,746
2018	87,755	4,364	92,119
2019	46,071	1,845	47,916
2020	29,565	497	30,062
Total	\$ 380,592	\$ 26,608	\$ 407,200

Note 7 - Concentration of Credit Risk

The Authority grants credit without collateral to its patients and residents, most of who are insured under third-party payor agreements. The mix of receivables for third party payors, patients and residents at June 30, 2015 and 2014 was as follows:

	2015	2014
Medicare	58%	65%
Medicaid	9%	8%
Commercial and other third-party payors	9%	19%
Patients	24%	8%
	100%	100%

Note 8 - Contingencies

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Authority has professional liability insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. In addition the Authority also maintains an umbrella policy subject to a limit of \$1 million per claim and annual aggregate limit of \$3 million under an occurrence based policy.

Litigations, Claims, and Disputes

The Authority is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Authority.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Note 9 - Discontinued Operations

In December 2013, the Home Health Agency was sold to New Horizons Home Health, LLC, a newly formed corporation, and the Authority retained a 10% ownership interest which is included in other assets and accounted for under the cost method of accounting. During the year ended June 30, 2014, the Authority recognized a gain on discontinued operations of \$499,460 from the disposal of its Home Health Agency and is included in the statement of changes in revenues, expenses, and net assets. The Authority's 2014 expenses related the Home Health Agency operations totaled \$519,240. The Authority's 2014 net patient revenues related the Home Health Agency operations totaled \$570,778. The Home Health Agency's 2014 operations have been reclassified to include all revenues and expenses of the Home Health Agency in discontinued operations.

In December 2013, the Hospice Agency was sold to Harmony Hospice, LLC. During the year ended June 30, 2014, the Authority recognized a gain on discontinued operations of \$150,000 from the disposal of its Hospice Agency and is included in the statement of changes in revenues, expenses, and net assets. The Authority's 2014 expenses related the Hospice Agency operations totaled \$85,576. The Authority's 2014 net patient revenues related the Hospice operations totaled \$27,218. The Hospice Agency's 2014 operations have been reclassified to include all revenues and expenses of the Hospice Agency in discontinued operations.

Note 10 - Condensed Combining Information

The following summarized combining information for the Hospital, Nursing Home, and Holding Company, which has been presented as blended component units, as of and for the year ended June 30, 2015:

Statement of net position as of June 30, 2015:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Eliminations	Total
Assets					
Current Assets	\$ 3,730,412	\$ 526,309	\$ -	\$ (361,736)	\$ 3,894,985
Capital assets, net	649,539	76,962	291,312	-	1,017,813
Other noncurrent assets	34,991	33,333	-	-	68,324
Total assets	\$ 4,414,942	\$ 636,604	\$ 291,312	\$ (361,736)	\$ 4,981,122
Liabilities					
Current liabilities	\$ 368,047	\$ 725,434	\$ -	\$ (361,736)	\$ 731,745
Long-term debt, less current maturities	259,499	11,587	-	-	271,086
Total liabilities	627,546	737,021	-	(361,736)	1,002,831
Net Position					
Net investment in capital assets	287,155	58,754	291,312	-	637,221
Unrestricted	3,500,241	(159,171)	-	-	3,341,070
Total net position	3,787,396	(100,417)	291,312	-	3,978,291
Total liabilities and net position	\$ 4,414,942	\$ 636,604	\$ 291,312	\$ (361,736)	\$ 4,981,122

Coal County Healthcare Authority
Notes to Financial Statements
June 30, 2015 and 2014

Operating results and changes in net position for the year ended June 30, 2015:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Operating Revenues				
Net patient service revenue	\$ 4,604,288	\$ 3,054,040	\$ -	\$ 7,658,328
Other revenue	35,488	415,414	-	450,902
Total operating revenues	<u>4,639,776</u>	<u>3,469,454</u>	<u>-</u>	<u>8,109,230</u>
Operating Expenses				
Depreciation	254,322	27,771	26,443	308,536
Other operating expenses	4,604,905	3,668,854	-	8,273,759
Total operating expenses	<u>4,859,227</u>	<u>3,696,625</u>	<u>26,443</u>	<u>8,582,295</u>
Operating Income (Loss)	(219,451)	(227,171)	(26,443)	(473,065)
Nonoperating Revenues (Expenses)	<u>950,295</u>	<u>(426)</u>	<u>-</u>	<u>949,869</u>
Revenues in Excess of (Less Than) Expenses	730,844	(227,597)	(26,443)	476,804
Net Position, Beginning of Year	<u>3,056,552</u>	<u>127,180</u>	<u>317,755</u>	<u>3,501,487</u>
Net Position, End of Year	<u>\$ 3,787,396</u>	<u>\$ (100,417)</u>	<u>\$ 291,312</u>	<u>\$ 3,978,291</u>

Cash Flows for the year ended June 30, 2015:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Net cash from (used for) operating activities	\$ 323,315	\$ (188,094)	\$ -	\$ 135,221
Net cash from noncapital financing activities	791,787	-	-	791,787
Net cash used for capital and related financing activities	(373,324)	(16,437)	-	(389,761)
Net cash from investing activities	<u>548</u>	<u>-</u>	<u>-</u>	<u>548</u>
Net change in cash and cash equivalents	742,326	(204,531)	-	537,795
Cash and cash equivalents, beginning of year	<u>301,860</u>	<u>302,403</u>	<u>-</u>	<u>604,263</u>
Cash and cash equivalents, end of year	<u>\$ 1,044,186</u>	<u>\$ 97,872</u>	<u>\$ -</u>	<u>\$ 1,142,058</u>

Coal County Healthcare Authority
Notes to Financial Statements
June 30, 2015 and 2014

The following summarized combining information for the Hospital, Nursing Home, and Holding Company, which has been presented as blended component units, as of and for the year ended June 30, 2014:

Statement of net position as of June 30, 2014:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Eliminations	Total
Assets					
Current Assets	\$ 2,865,138	\$ 665,412	\$ -	\$ (267,920)	\$ 3,262,630
Capital assets, net	753,776	95,106	317,755	-	1,166,637
Other noncurrent assets	90,513	33,333	-	-	123,846
Total assets	\$ 3,709,427	\$ 793,851	\$ 317,755	\$ (267,920)	\$ 4,553,113
Liabilities					
Current liabilities	\$ 468,439	\$ 648,463	\$ -	\$ (267,920)	\$ 848,982
Long-term debt, less current maturities	184,436	18,208	-	-	202,644
Total liabilities	652,875	666,671	-	(267,920)	1,051,626
Net Position					
Net investment in capital assets	317,546	70,514	317,755	-	705,815
Unrestricted	2,739,006	56,666	-	-	2,795,672
Total net position	3,056,552	127,180	317,755	-	3,501,487
Total liabilities and net position	\$ 3,709,427	\$ 793,851	\$ 317,755	\$ (267,920)	\$ 4,553,113

Operating results and changes in net position for the year ended June 30, 2014:

	General Hospital	Extended Care	Holding Company	Total
Operating Revenues				
Net patient and resident service revenue	\$ 4,816,374	\$ 3,041,558	\$ -	\$ 7,857,932
Other revenue	25,669	374,165	-	399,834
Total operating revenues	4,842,043	3,415,723	-	8,257,766
Operating Expenses				
Depreciation	248,518	33,150	29,320	310,988
Other operating expenses	4,246,402	3,471,004	-	7,717,406
Total operating expenses	4,494,920	3,504,154	29,320	8,028,394
Operating Income (Loss)	347,123	(88,431)	(29,320)	229,372
Nonoperating Revenues (Expenses)	731,370	(1,101)	-	730,269
Revenues in Excess of (Less Than) Expenses	1,078,493	(89,532)	(29,320)	959,641
Discontinued Home Health and Hospice Services	-	642,640	-	642,640
Change in Net Position	1,078,493	553,108	(29,320)	1,602,281
Net Position, Beginning of Year	1,978,059	(425,928)	347,075	1,899,206
Net Position, End of Year	\$ 3,056,552	\$ 127,180	\$ 317,755	\$ 3,501,487

Cash Flows for the year ended June 30, 2014:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Net cash used for operating activities	\$ (222,569)	\$ (293,522)	\$ -	\$ (516,091)
Net cash from (used for) noncapital financing activities	541,538	(6,412)	-	535,126
Net cash used for capital and related financing activities	(310,303)	(19,244)	-	(329,547)
Net cash from investing activities	261	609,307	-	609,568
Net change in cash and cash equivalents	8,927	290,129	-	299,056
Cash and cash equivalents, beginning of year	292,933	12,274	-	305,207
Cash and cash equivalents, end of year	<u>\$ 301,860</u>	<u>\$ 302,403</u>	<u>\$ -</u>	<u>\$ 604,263</u>

Note 11 - Subsequent Events

The Authority has evaluated subsequent events through November 23, 2015, the date which the financial statements were available to be issued.



Supplementary Information
June 30, 2015 and 2014

Coal County Healthcare Authority



Independent Auditor's Report on Supplementary Information

Board of Trustees
Coal County Healthcare Authority
Coalgate, Oklahoma

Our report on our audits of the basic financial statements of the Coal County Healthcare Authority as of and for the years ended June 30, 2015 and 2014, and our report thereon dated November 23, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 2. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining schedules of statements of net position, combining schedules of revenues, expenses, and changes in net position information, and schedules of net patient and resident service revenue, other operating revenue, and operating expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Eide Bailly LLP

Oklahoma City, Oklahoma
November 23, 2015

Coal County Healthcare Authority
Schedules of Net Patient and Resident Service Revenue
Years Ended June 30, 2015 and 2014

	2015	2014
Daily Patient Services		
Medical and surgical	\$ 4,761,320	\$ 4,927,455
Swing bed	441,603	394,400
	5,202,923	5,321,855
Other Nursing Services		
Central service supplies	292,924	372,910
Emergency services	679,129	697,652
	972,053	1,070,562
Other Professional Services		
Ultrasound	342,885	392,720
Intravenous therapy	163,614	199,130
Respiratory therapy	7,044	3,769
Laboratory	1,926,641	1,908,230
Pharmacy	1,422,546	1,385,633
Physical therapy	426,743	444,850
Radiology	2,166,995	2,260,958
Pain management	873,876	145,816
	7,330,344	6,741,106
Charity Care	(120,129)	(53,867)
Total patient and resident service revenue	13,385,191	13,079,656
Reductions from Revenue		
Contractual adjustments	5,163,731	4,783,636
Bad debt expense	563,132	438,088
	5,726,863	5,221,724
Total reductions from revenue	5,726,863	5,221,724
Net Patient and Resident Service Revenue	\$ 7,658,328	\$ 7,857,932

Coal County Healthcare Authority
Schedules of Other Operating Revenue
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Other Revenue		
Focus on Excellence	\$ 362,200	\$ 350,206
Miscellaneous	<u>88,702</u>	<u>49,628</u>
Total Other Revenue	<u>\$ 450,902</u>	<u>\$ 399,834</u>

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	2015		
	Salaries	Other	Total
Nursing Services			
Medical and surgical	\$ 1,617,651	\$ 1,606,234	\$ 3,223,885
Emergency services	84,079	538,662	622,741
	<u>\$ 1,701,730</u>	<u>\$ 2,144,896</u>	<u>\$ 3,846,626</u>
Other Professional Services			
Ultrasound	\$ 13,649	\$ 22,491	\$ 36,140
Intravenous therapy	-	14,016	14,016
Respiratory therapy	5,945	20,459	26,404
Laboratory	276,306	325,920	602,226
Pharmacy	100,774	190,895	291,669
Physical therapy	53,844	114,184	168,028
Radiology	133,860	54,072	187,932
Pain management	11,511	72,965	84,476
	<u>\$ 595,889</u>	<u>\$ 815,002</u>	<u>\$ 1,410,891</u>
General Services			
Dietary	\$ 195,178	\$ 230,777	\$ 425,955
Housekeeping	177,529	51,566	229,095
Medical records	100,607	30,840	131,447
Plant operations	94,094	12,118	106,212
	<u>\$ 567,408</u>	<u>\$ 325,301</u>	<u>\$ 892,709</u>
Administrative Services			
Administrative and office	\$ 571,880	\$ 876,235	\$ 1,448,115
Employee benefits	675,418	-	675,418
	<u>\$ 1,247,298</u>	<u>\$ 876,235</u>	<u>\$ 2,123,533</u>
Depreciation	<u>\$ -</u>	<u>\$ 308,536</u>	<u>\$ 308,536</u>

Coal County Healthcare Authority
Schedules of Operating Expenses
Years Ended June 30, 2015 and 2014

2014		
Salaries	Other	Total
\$ 1,602,885	\$ 1,237,480	\$ 2,840,365
30,836	420,923	451,759
\$ 1,633,721	\$ 1,658,403	\$ 3,292,124
\$ 22,056	\$ 21,664	\$ 43,720
-	15,767	15,767
9,143	18,857	28,000
293,119	323,252	616,371
85,814	172,688	258,502
48,726	124,596	173,322
120,605	63,976	184,581
1,086	7,433	8,519
\$ 580,549	\$ 748,233	\$ 1,328,782
\$ 199,619	\$ 201,659	\$ 401,278
168,416	59,547	227,963
73,229	21,066	94,295
95,424	7,551	102,975
\$ 536,688	\$ 289,823	\$ 826,511
\$ 554,834	\$ 922,947	\$ 1,477,781
792,208	-	792,208
\$ 1,347,042	\$ 922,947	\$ 2,269,989
\$ -	\$ 310,988	\$ 310,988

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Coal County Healthcare Authority
Combining Schedule – Statement of Net Position Information
June 30, 2015

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,044,186	\$ 97,872	\$ -	\$ -	\$ 1,142,058
Receivables					
Patient and resident, net of estimated uncollectibles	1,365,875	417,820	-	-	1,783,695
Estimated third-party payor settlements	298,796	-	-	-	298,796
Sales tax	223,411	-	-	-	223,411
Other	306,780	-	-	-	306,780
Supplies	129,628	10,617	-	-	140,245
Due from related party	361,736	-	-	(361,736)	-
Total current assets	3,730,412	526,309	-	(361,736)	3,894,985
Capital Assets, Net	649,539	76,962	291,312	-	1,017,813
Other Assets	34,991	33,333	-	-	68,324
Total assets	<u>\$ 4,414,942</u>	<u>\$ 636,604</u>	<u>\$ 291,312</u>	<u>\$ (361,736)</u>	<u>\$ 4,981,122</u>

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Liabilities and Net Position					
Current Liabilities					
Current portion of long-term debt	\$ 102,885	\$ 6,621	\$ -	\$ -	\$ 109,506
Notes payable	10	-	-	-	10
Accounts payable	145,500	293,020	-	-	438,520
Accrued liabilities	119,652	60,045	-	-	179,697
Deposits from patients	-	4,012	-	-	4,012
Due to related party	-	361,736	-	(361,736)	-
Total current liabilities	368,047	725,434	-	(361,736)	731,745
Long-Term Debt, Net	259,499	11,587	-	-	271,086
Total liabilities	627,546	737,021	-	(361,736)	1,002,831
Net Position					
Net investment in capital assets	287,155	58,754	291,312	-	637,221
Unrestricted	3,500,241	(159,171)	-	-	3,341,070
Total net position	3,787,396	(100,417)	291,312	-	3,978,291
Total liabilities and net position	\$ 4,414,942	\$ 636,604	\$ 291,312	\$ (361,736)	\$ 4,981,122

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Coal County Healthcare Authority
Combining Schedule – Statement of Net Position Information
June 30, 2014

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 301,860	\$ 302,403	\$ -	\$ -	\$ 604,263
Receivables					
Patient and resident, net of estimated uncollectibles	1,885,532	357,811	-	-	2,243,343
Estimated third-party payor settlements	153,870	-	-	-	153,870
Sales tax	155,558	-	-	-	155,558
Other	7,671	-	-	-	7,671
Supplies	92,727	5,198	-	-	97,925
Due from related party	267,920	-	-	(267,920)	-
Total current assets	2,865,138	665,412	-	(267,920)	3,262,630
Capital Assets, Net	753,776	95,106	317,755	-	1,166,637
Other Assets	90,513	33,333	-	-	123,846
Total assets	<u>\$ 3,709,427</u>	<u>\$ 793,851</u>	<u>\$ 317,755</u>	<u>\$ (267,920)</u>	<u>\$ 4,553,113</u>

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Liabilities and Net Position					
Current Liabilities					
Current portion of long-term debt	\$ 151,794	\$ 6,384	\$ -	\$ -	\$ 158,178
Notes payable	100,010	-	-	-	100,010
Accounts payable	103,057	306,952	-	-	410,009
Accrued liabilities	113,578	61,622	-	-	175,200
Deposits from patients	-	5,585	-	-	5,585
Due to related party	-	267,920	-	(267,920)	-
Total current liabilities	468,439	648,463	-	(267,920)	848,982
Long-Term Debt, Net	184,436	18,208	-	-	202,644
Total liabilities	652,875	666,671	-	(267,920)	1,051,626
Net Position					
Net investment in capital assets	317,546	70,514	317,755	-	705,815
Unrestricted	2,739,006	56,666	-	-	2,795,672
Total net position	3,056,552	127,180	317,755	-	3,501,487
Total liabilities and net position	\$ 3,709,427	\$ 793,851	\$ 317,755	\$ (267,920)	\$ 4,553,113

Coal County Healthcare Authority
Combining Schedule –Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2015

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Operating Revenues					
Net patient and resident service revenue	\$ 4,604,288	3,054,040	\$ -	\$ -	\$ 7,658,328
Other revenues	35,488	415,414	-	-	450,902
Total operating revenues	<u>4,639,776</u>	<u>3,469,454</u>	<u>-</u>	<u>-</u>	<u>8,109,230</u>
Operating Expenses					
Nursing services	1,846,874	1,999,752	-	-	3,846,626
Other professional services	1,133,936	276,955	-	-	1,410,891
General services	402,159	490,550	-	-	892,709
Administrative services	1,221,936	901,597	-	-	2,123,533
Depreciation and amortization	254,322	27,771	26,443	-	308,536
Total operating expenses	<u>4,859,227</u>	<u>3,696,625</u>	<u>26,443</u>	<u>-</u>	<u>8,582,295</u>
Operating Income (Loss)	<u>(219,451)</u>	<u>(227,171)</u>	<u>(26,443)</u>	<u>-</u>	<u>(473,065)</u>
Nonoperating Revenues (Expenses)					
Sales tax	966,603	-	-	-	966,603
Investment income	548	-	-	-	548
Interest expense	(17,435)	(860)	-	-	(18,295)
Gain on disposal of capital assets	579	434	-	-	1,013
Total nonoperating revenues	<u>950,295</u>	<u>(426)</u>	<u>-</u>	<u>-</u>	<u>949,869</u>
Revenues in Excess of (Less Than) Expenses	730,844	(227,597)	(26,443)	-	476,804
Net Position, Beginning of Year	<u>3,056,552</u>	<u>127,180</u>	<u>317,755</u>	<u>-</u>	<u>3,501,487</u>
Net Position, End of Year	<u>\$ 3,787,396</u>	<u>\$ (100,417)</u>	<u>\$ 291,312</u>	<u>\$ -</u>	<u>\$ 3,978,291</u>

Coal County Healthcare Authority
Combining Schedule –Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2014

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Operating Revenues					
Net patient and resident service revenue	\$ 4,816,374	\$ 3,041,558	\$ -	\$ -	\$ 7,857,932
Other revenues	25,669	374,165	-	-	399,834
Total operating revenues	<u>4,842,043</u>	<u>3,415,723</u>	<u>-</u>	<u>-</u>	<u>8,257,766</u>
Operating Expenses					
Nursing services	1,584,778	1,707,346	-	-	3,292,124
Other professional services	1,053,415	275,367	-	-	1,328,782
General services	334,141	492,370	-	-	826,511
Administrative services	1,274,068	995,921	-	-	2,269,989
Depreciation and amortization	248,518	33,150	29,320	-	310,988
Total operating expenses	<u>4,494,920</u>	<u>3,504,154</u>	<u>29,320</u>	<u>-</u>	<u>8,028,394</u>
Operating Income (Loss)	<u>347,123</u>	<u>(88,431)</u>	<u>(29,320)</u>	<u>-</u>	<u>229,372</u>
Nonoperating Revenues (Expenses)					
Sales tax	750,790	-	-	-	750,790
Investment income	261	-	-	-	261
Interest expense	(19,681)	(1,101)	-	-	(20,782)
Total nonoperating revenues (expenses)	<u>731,370</u>	<u>(1,101)</u>	<u>-</u>	<u>-</u>	<u>730,269</u>
Revenues in Excess of (Less Than) Expenses	1,078,493	(89,532)	(29,320)	-	959,641
Discontinued Home Health and Hospice Services					
Gain on the disposal of operations	-	642,640	-	-	642,640
Changes in Net Position	1,078,493	553,108	(29,320)	-	1,602,281
Net Position, Beginning of Year	<u>1,978,059</u>	<u>(425,928)</u>	<u>347,075</u>	<u>-</u>	<u>1,899,206</u>
Net Position, End of Year	<u>\$ 3,056,552</u>	<u>\$ 127,180</u>	<u>\$ 317,755</u>	<u>\$ -</u>	<u>\$ 3,501,487</u>



**Independent Auditor's 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***

Board of Trustees
Coal County Healthcare Authority
Coalgate, Oklahoma

We have audited, 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, the financial statements of Coal County Healthcare Authority (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 Responses, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 Responses to be material weaknesses: 2015-A through 2015-F.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oklahoma City, Oklahoma
November 23, 2015

Findings – Financial Statements Audit – Internal Controls over Financial Reporting

2015-A Segregation of Duties

Criteria: A properly designed system of internal control segregates the initiation, record keeping, and authorization of transactions.

Condition: During the course of our engagement, we noted that the Authority has limited staff completing incompatible accounting functions due to the size of the entity.

Effect: Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

Cause: A limited number of office personnel prevent a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

Auditor's Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Authority should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Authority should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Management Response: Management agrees with the finding and has reviewed the operating procedures of the Authority. Due to the limited number of office employees, management will continue to monitor the Authority's operations and procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

2015-B Preparation of Financial Statements

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: The Authority does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Effect: The effect of this condition is that yearend financial reporting is prepared by a party outside of the Authority. The outside party does not have constant contact with the ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to interim financial statements.

Cause: The board had considered the cost benefit of improving the internal control over financial reporting and has decided to accept the risk associated with this condition.

Auditor's Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Management Response: Given the size of the Authority, we do not think it would be cost-effective to fully cure this deficiency at this time. In addition, given the complex and constantly changing nature of financial reporting requirements, we believe that better results can be achieved by continuing to rely on the expertise of our outside auditors regarding these matters.

2015-C Bad Debt and Contractual Allowances

Criteria: Accountings standards require an entity to estimate an allowance on the collectability of receivables. The allowance should be based on historical data and current reimbursement rates.

Condition: The allowance calculations were not properly estimated during the year.

Effect: Interim financial statements may not be properly stated. A material audit adjustment was made to the allowance accounts.

Cause: Historical collections are not reviewed and considered in determining the potential impact on contractual adjustments or bad debt write-offs.

Recommendation: We recommend that management develop an estimate based on historical collections and adjustments. The allowance accounts should be reviewed each month as well for reasonableness in relation to the accounts receivable and revenue.

Management Response: Management will develop an estimate based on historical collection percentages.

2015-D Cost Report Estimate

Criteria: Accountings standards require an entity to estimate the Medicare cost report settlement in order to fairly state the financial position as of year-end.

Condition: During the current year the Authority did not estimate the financial effect of the Medicare cost report settlement for the current year correctly. The Authority should record adjustments for current year activity to the estimated third party payor settlement account.

Effect: This resulted in a material adjusting journal entry to properly state the current year settlement.

Cause: The current year cost report settlement was not properly estimated at year end which resulted in a material journal entry to the financial statements.

Auditor's Recommendation: It is recommended the Hospital implement a system that provides adequate controls over estimating cost report settlements.

Management Response: Prior estimating methods have produced reasonable results; however with the change in Fiscal Intermediaries, management will assess the need to purchase estimating software to more accurately reflect the Medicare Cost Report Settlements. The key to the assessment will be weighing cost versus the financial benefit of this purchase.

2015-E Material Journal Entries

Criteria: A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition: During the course of our engagement, we proposed material audit adjustments to the financial statements that would not have been identified as a result of the Authority's existing internal controls, and therefore, could have resulted in a material misstatement of the Authority's financial statements.

Effect: Material misstatements could occur in the financial statements and not be detected by management in a timely manner.

Cause: Material misstatements were not identified and corrected in a timely manner.

Auditor's Recommendation: It is recommended the Authority implement a system that provides adequate controls over recording transactions and identifying misstatements.

Management Response: Management agrees with the finding and recommendation and will evaluate the controls in place.

2015-F Capital Leases

Criteria: During the course of the engagement, we identified several leases that should have been recorded as capital leases.

Condition: There are two types of leases, capital and operating. A capital lease is identified by meeting one of four criteria. If the lease does not meet any of the criteria for a capital lease, it is considered an operating lease. Each type of lease is accounted for differently within an organization.

Effect: Capital assets and long-term debt were not properly stated in the interim financial statements.

Cause: The Authority does not have proper policies and procedures in place to distinguish between capital and operating leases.

Auditor's Recommendation: It is recommended that the Authority develop policies and procedures to identify capital and operating leases.

Management Response: Management will develop a process to identify capital leases and record them appropriately.