



Management's Discussion and Analysis  
and Financial Statements  
June 30, 2016 and 2015

# Coal County Healthcare Authority

Coal County Healthcare Authority

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June 30, 2016 and 2015

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## 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, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and statements of 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, 2016 and 2015, 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 28, 2016 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
November 28, 2016

This discussion and analysis of the financial performance of Coal County Healthcare Authority (Authority) provides an overall review of the Authority's financial activities and balances as of and for the years ended June 30, 2016, 2015 and 2014. The intent of this discussion and analysis is to provide further information on the Authority's performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the Authority's financial status.

### **Financial Highlights**

- The Authority's net position increased by \$643,852 or 16% in 2016 and \$476,804 or 14% in 2015.
- The Authority reported an operating loss in 2016 of \$148,959 and \$473,065 in 2015. During 2016, operating loss decreased by \$324,106 or 69% compared to 2015 and operating loss increased by \$702,437 or 306% in 2015 compared to 2014.
- Net nonoperating income decreased by \$157,058 or 17% in 2016 compared to 2015 and increased \$219,600 or 30% in 2015 compared to 2014.

### **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 \$643,852 or 16% in 2016 and \$476,804 or 14% in 2015 as shown in Table 1.

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

	2016	2015	2014
<b>Assets</b>			
Current assets	\$ 3,881,522	\$ 3,894,985	\$ 3,262,630
Capital assets, net	1,591,579	1,017,813	1,166,637
Other noncurrent assets	65,113	68,324	123,846
<b>Total assets</b>	<b>\$ 5,538,214</b>	<b>\$ 4,981,122</b>	<b>\$ 4,553,113</b>
<b>Liabilities</b>			
Current liabilities	\$ 562,189	\$ 731,745	\$ 848,982
Long-term debt, less current maturities	353,882	271,086	202,644
<b>Total liabilities</b>	<b>916,071</b>	<b>1,002,831</b>	<b>1,051,626</b>
<b>Net Position</b>			
Net investment in capital assets	1,078,645	637,221	705,815
Unrestricted	3,543,498	3,341,070	2,795,672
<b>Total net position</b>	<b>4,622,143</b>	<b>3,978,291</b>	<b>3,501,487</b>
<b>Total liabilities and net position</b>	<b>\$ 5,538,214</b>	<b>\$ 4,981,122</b>	<b>\$ 4,553,113</b>

### Assets, Liabilities and Net Position

The Authority's assets increased by \$557,092 or 11% in 2016 and increased \$428,009 or 9% in 2015. Capital assets increased \$573,766 or 56% in 2016 due to the purchase of equipment and decreased \$148,824 or 13% in 2015 due to depreciation. Cash and cash equivalents increased \$934,835 or 82% in 2016 due to an increase in receipts from operating activities and increased \$537,795 or 89% in 2015 due to an increase in receipts from operating activities. Patient and resident receivables decreased \$395,873 or 22% in 2016 due to an increase in cash collected from patients and residents and decreased \$459,648 or 21% in 2015 due to an increase in cash collected from patients and residents. The Authority's liabilities decreased by \$86,760 or 9% in 2016 and decreased \$48,795 or 5% in 2015.

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

	2016	2015	2014
Operating Revenues			
Net patient and resident service revenue	\$ 8,227,646	\$ 7,658,328	\$ 7,857,932
Other revenue	533,440	450,902	399,834
Total operating revenues	<u>8,761,086</u>	<u>8,109,230</u>	<u>8,257,766</u>
Operating Expenses			
Nursing services	3,968,695	3,846,626	3,292,124
Other professional services	1,422,284	1,410,891	1,328,782
General services	943,855	892,709	826,511
Administrative services	2,190,707	2,123,533	2,269,989
Depreciation and amortization	384,504	308,536	310,988
Total operating expenses	<u>8,910,045</u>	<u>8,582,295</u>	<u>8,028,394</u>
Operating Income (Loss)	<u>(148,959)</u>	<u>(473,065)</u>	<u>229,372</u>
Nonoperating Revenues (Expenses)			
Sales tax	811,346	966,603	750,790
Investment income	8,551	548	261
Interest expense	(25,019)	(18,295)	(20,782)
Noncapital contributions	5,000	-	-
Gain (loss) of disposal of capital assets	(7,067)	1,013	-
Total nonoperating revenues (expenses)	<u>792,811</u>	<u>949,869</u>	<u>730,269</u>
Revenues in Excess of Expenses	643,852	476,804	959,641
Discontinued Home Health and Hospice Services			
Gain on the disposal of operations	-	-	642,640
Changes in Net Position	643,852	476,804	1,602,281
Net Position, Beginning of Year	<u>3,978,291</u>	<u>3,501,487</u>	<u>1,899,206</u>
Net Position, End of Year	<u>\$ 4,622,143</u>	<u>\$ 3,978,291</u>	<u>\$ 3,501,487</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 2016 decreased by \$324,106 or 69% as compared to 2015 and operating loss increased in 2015 by \$702,437 or 306% compared to 2014.

The primary components of the decreased operating loss are:

- An increase in patient revenue, net of uncollectible accounts, of \$569,318 or 7% as compared to an decrease in 2015 of \$199,604 or 3% as compared to 2014. The increase in 2016 is attributed to an increase in services provided by the Authority. The decrease in 2015 is attributed to the decreased services provided by the Authority.
- An increase in nursing services of \$122,069 or 3% as compared to an increase in 2015 of \$554,502 or 17% as compared to 2014.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of sales tax revenue and interest expense. Sales tax revenues decreased in 2016 by \$155,257 or 16% and increased \$215,813 or 29% in 2015. The interest expense increased in 2016 by \$6,724 or 37% and decreased \$2,487 or 12% in 2015.

### **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. The principal changes in the Authority's nonoperating cash flows were as follows:

- Net cash from operating activities decreased in 2016 by \$438,093 and increased by \$651,312 in 2015.
- Net cash from noncapital financing activities increased in 2016 by \$179,697 and increased by \$256,661 in 2015.
- Net cash used for capital and capital related financing activities increased in 2016 by \$228,753 and increased by \$60,214 in 2015.

### **Capital Assets**

At the end of 2016 and 2015, the Authority had \$1,591,579 and \$1,017,813 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets costing \$975,108 and \$399,212 during 2016 and 2015. Included with in these amounts are leased new capital assets costing \$309,627 and \$188,093 during 2016 and 2015.

### **Debt**

At June 30, 2016 and 2015, the Authority had \$512,934 and \$380,592 in capital lease obligations outstanding as detailed in Note 6. As discussed above the Authority incurred \$309,627 and \$188,093 in capital lease obligations for the years ending June 2016 and 2015. At June 30, 2016 and 2015, the Authority had \$0 and \$10 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, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,076,893	\$ 1,142,058
Receivables		
Patient and resident, net of estimated uncollectibles of approximately \$672,000 in 2016 and \$847,000 in 2015	1,387,822	1,783,695
Estimated third-party payor settlements	154,729	298,796
Sales tax	68,263	223,411
Other	61,768	306,780
Supplies	132,047	140,245
Total current assets	3,881,522	3,894,985
Capital Assets		
Capital assets not being depreciated	124,063	124,063
Capital assets being depreciated, net	1,467,516	893,750
Total capital assets	1,591,579	1,017,813
Other Assets	65,113	68,324
Total assets	\$ 5,538,214	\$ 4,981,122
Liabilities and Net Position		
Current Liabilities		
Current portion of long-term debt	\$ 159,052	\$ 109,506
Notes payable	-	10
Accounts payable		
Trade	176,090	438,520
Accrued expenses		
Salaries and wages	218,673	179,697
Deposits from residents	8,374	4,012
Total current liabilities	562,189	731,745
Long-Term Debt, Less Current Maturities	353,882	271,086
Total liabilities	916,071	1,002,831
Net Position		
Net investment in capital assets	1,078,645	637,221
Unrestricted	3,543,498	3,341,070
Total net position	4,622,143	3,978,291
Total liabilities and net position	\$ 5,538,214	\$ 4,981,122

Coal County Healthcare Authority  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$445,903 in 2016 and \$563,132 in 2015	\$ 8,227,646	\$ 7,658,328
Other revenue	533,440	450,902
Total operating revenues	8,761,086	8,109,230
Operating Expenses		
Nursing services	3,968,695	3,846,626
Other professional services	1,422,284	1,410,891
General services	943,855	892,709
Administrative services	2,190,707	2,123,533
Depreciation and amortization	384,504	308,536
Total operating expenses	8,910,045	8,582,295
Operating Loss	(148,959)	(473,065)
Nonoperating Revenues (Expenses)		
Sales tax	811,346	966,603
Investment income	8,551	548
Interest expense	(25,019)	(18,295)
Noncapital contributions	5,000	-
Gain (loss) on disposal of capital assets	(7,067)	1,013
Total nonoperating revenues (expenses)	792,811	949,869
Revenues in Excess of Expenses	643,852	476,804
Net Position, Beginning of Year	3,978,291	3,501,487
Net Position, End of Year	\$ 4,622,143	\$ 3,978,291

Coal County Healthcare Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 8,771,948	\$ 7,971,477
Other receipts and payments, net	538,952	452,804
Payments to suppliers and contractors	(4,340,287)	(4,181,232)
Payments to and behalf of employees	(4,397,299)	(4,107,828)
	573,314	135,221
Net Cash from Operating Activities		
Noncapital Financing Activities		
Proceeds from sales tax	966,494	898,750
Proceeds from short-term obligation	-	100,000
Repayment of short-term obligation	(10)	(200,000)
Interest paid on short term obligations	-	(6,963)
Noncapital contributions	5,000	-
	971,484	791,787
Net Cash from Noncapital Financing Activities		
Capital and Capital Related Financing Activities		
Purchase of property and equipment	(425,980)	(211,119)
Proceeds from sale of capital assets	-	1,013
Principal payments on capital lease obligations	(167,515)	(168,323)
Interest paid on debt obligations	(25,019)	(11,332)
	(618,514)	(389,761)
Net Cash used for Capital and Capital Related Financing Activities		
Investing Activities		
Investment income	8,551	548
	934,835	537,795
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	1,142,058	604,263
Cash and Cash Equivalents, End of Year	\$ 2,076,893	\$ 1,142,058

Coal County Healthcare Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash from		
Operating Activities		
Operating loss	\$ (148,959)	\$ (473,065)
Adjustments to reconcile operating loss		
to net cash from operating activities		
Provision for bad debt	445,903	563,132
Depreciation and amortization	384,504	308,536
Changes in assets and liabilities		
Patient and resident receivables	(50,030)	(103,484)
Other receivables	5,512	1,902
Supplies	8,198	(42,320)
Prepaid expenses	3,211	(5,989)
Accounts payable	(262,430)	28,511
Accrued expenses	38,976	4,497
Deposits from patients	4,362	(1,573)
Estimated third-party settlements	144,067	(144,926)
Net Cash from Operating Activities	\$ 573,314	\$ 135,221
Supplemental Disclosure of Noncash Capital and Capital Related		
Financing Activities		
Equipment financed through capital lease arrangements	\$ 309,627	\$ 188,093
Transfer of other assets to other receivables	\$ -	\$ 61,511
Transfer of construction in progress to other receivables	\$ (239,500)	\$ 239,500

During the year ending June 30, 2016, the Authority terminated a lease agreement, which resulted in a reduction of long-term debt of \$9,770, the retirement of capital assets with a net book value of \$6,122, and a gain on disposal of capital assets of \$3,648.

## **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 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 8% of its financial support from county appropriations related to sales tax in 2016 and 11% in 2015. 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 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 \$111,000 and \$120,000 for the years ended June 30, 2016 and 2015. Total direct and indirect costs related to these foregone charges were approximately \$68,000 and \$72,000 at June 30, 2016 and 2015, 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 \$53,983 and \$46,109 during the years ended June 30, 2016 and 2015.

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

### **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, 2014.

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, 2016 and 2015:

	2016	2015
Medicare	60%	61%
Medicaid	22%	22%
Blue Cross and other commercial payors	8%	8%
Self pay and other	10%	9%
	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, 2016 and 2015 decreased approximately \$24,000 and \$37,000 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, 2016 and 2015 are as follows:

	2016	2015
Carrying Amount		
Cash and deposits	\$ 2,076,893	\$ 1,142,058

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

	2016	2015
Cash and cash equivalents	\$ 2,076,893	\$ 1,142,058

### Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Authority's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. State statutes require that investments be made only in U.S. government obligations and that all bank balances are protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance or bonds.

As of June 30, 2016 and 2015, \$1,936,277 of the Authority's bank balance of \$2,186,277 and \$925,231 of the Authority's bank balance of \$1,175,231 was exposed to custodial credit risk as follows:

	2016	2015
Uninsured and uncollateralized	\$ 36,277	\$ -
Uninsured and collateral held by pledging bank's trust department in the Authority's name	1,900,000	925,231
Total	\$ 1,936,277	\$ 925,231

### 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, 2016 and 2015.

### Note 4 - Capital Assets

Capital asset additions, transfers, retirements, and balances for the year ended June 30, 2016 are as follows:

	Balance June 30, 2015	Additions	Transfers and Retirements	Balance June 30, 2016
Capital assets not being depreciated				
Land	\$ 124,063	\$ -	\$ -	\$ 124,063
Capital assets being depreciated				
Building and building improvements	\$ 2,682,676	\$ -	\$ -	\$ 2,682,676
Equipment	2,720,502	665,481	-	3,385,983
Equipment under capital obligations	1,079,127	309,627	(397,265)	991,489
Total capital assets being depreciated	6,482,305	\$ 975,108	\$ (397,265)	7,060,148
Less accumulated depreciation for				
Building and building improvements	\$ (2,497,833)	\$ (27,813)	\$ -	\$ (2,525,646)
Equipment	(2,413,526)	(178,079)	-	(2,591,605)
Equipment under capital obligations	(677,196)	(178,612)	380,427	(475,381)
Total accumulated depreciation	(5,588,555)	\$ (384,504)	\$ 380,427	(5,592,632)
Net capital assets being depreciated	\$ 893,750			\$ 1,467,516
Capital assets, net	\$ 1,017,813			\$ 1,591,579

Coal County Healthcare Authority  
Notes to Financial Statements  
June 30, 2016 and 2015

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	\$ 188,563	\$ 175,000	\$ (239,500)	\$ 124,063
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	6,278,093	\$ 224,212	\$ (20,000)	6,482,305
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	(5,300,019)	\$ (308,536)	\$ 20,000	(5,588,555)
Net capital assets being depreciated	\$ 978,074			\$ 893,750
Capital assets, net	\$ 1,166,637			\$ 1,017,813

**Note 5 - Lease Obligations**

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, 2016 and 2015 for all operating leases was approximately \$90,000 and \$109,000. The capitalized leased assets consist of:

	2016	2015
Major Movable Equipment	\$ 991,489	\$ 1,079,127
Less Accumulated Amortization	(475,381)	(677,196)
	\$ 516,108	\$ 401,931

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

Year Ending June 30,	Operating Leases
2017	\$ 21,905
2018	21,905
2019	20,291
2020	17,673
2021	5,556
 Total minimum lease payments	 \$ 87,330

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 2016 and 2015 is as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Line of credit (1)	\$ 10	\$ -	\$ (10)	\$ -
	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Line of credit (1)	\$ 10	\$ -	\$ -	\$ 10
Line of credit (2)	100,000	100,000	(200,000)	-
	\$ 100,010	\$ 100,000	\$ (200,000)	\$ 10

- (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, 2016 and 2015

A schedule of changes in the Authority's long-term debt for 2016 and 2015 is as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Capital lease obligations (1)	\$ 380,592	\$ 309,627	\$ (177,285)	\$ 512,934	\$ 159,052
	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

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

Long-term debt maturities are as follows:

Year Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2017	\$ 159,052	\$ 16,207	\$ 175,259
2018	151,394	10,325	161,719
2019	112,071	5,444	117,515
2020	90,417	1,646	92,063
Total	\$ 512,934	\$ 33,622	\$ 546,556

**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, 2016 and 2015 was as follows:

	2016	2015
Medicare	51%	58%
Medicaid	8%	9%
Commercial and other third-party payors	14%	9%
Patients and residents	27%	24%
	<u>100%</u>	<u>100%</u>

## **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 and resident services.

**Note 9 - 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, 2016:

Statement of net position as of June 30, 2016:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Eliminations	Total
<b>Assets</b>					
Current Assets	\$ 3,822,868	\$ 618,901	\$ -	\$ (560,247)	\$ 3,881,522
Capital assets, net	1,249,458	78,621	263,500	-	1,591,579
Other noncurrent assets	31,780	33,333	-	-	65,113
<b>Total assets</b>	<u>\$ 5,104,106</u>	<u>\$ 730,855</u>	<u>\$ 263,500</u>	<u>\$ (560,247)</u>	<u>\$ 5,538,214</u>
<b>Liabilities</b>					
Current liabilities	\$ 348,489	\$ 773,947	\$ -	\$ (560,247)	\$ 562,189
Long-term debt, less current maturities	349,163	4,719	-	-	353,882
<b>Total liabilities</b>	<u>697,652</u>	<u>778,666</u>	<u>-</u>	<u>(560,247)</u>	<u>916,071</u>
<b>Net Position</b>					
Net investment in capital assets	748,110	67,035	263,500	-	1,078,645
Unrestricted	3,658,344	(114,846)	-	-	3,543,498
<b>Total net position</b>	<u>4,406,454</u>	<u>(47,811)</u>	<u>263,500</u>	<u>-</u>	<u>4,622,143</u>
<b>Total liabilities and net position</b>	<u>\$ 5,104,106</u>	<u>\$ 730,855</u>	<u>\$ 263,500</u>	<u>\$ (560,247)</u>	<u>\$ 5,538,214</u>

Operating results and changes in net position for the year ended June 30, 2016:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
<b>Operating Revenues</b>				
Net patient service revenue	\$ 4,890,766	\$ 3,336,880	\$ -	\$ 8,227,646
Other revenue	108,410	425,030	-	533,440
<b>Total operating revenues</b>	<u>4,999,176</u>	<u>3,761,910</u>	<u>-</u>	<u>8,761,086</u>
<b>Operating Expenses</b>				
Depreciation	324,490	32,202	27,812	384,504
Other operating expenses	4,842,841	3,682,700	-	8,525,541
<b>Total operating expenses</b>	<u>5,167,331</u>	<u>3,714,902</u>	<u>27,812</u>	<u>8,910,045</u>
<b>Operating Income (Loss)</b>	<u>(168,155)</u>	<u>47,008</u>	<u>(27,812)</u>	<u>(148,959)</u>
<b>Nonoperating Revenues</b>	<u>787,213</u>	<u>5,598</u>	<u>-</u>	<u>792,811</u>
<b>Revenues in Excess of (Less Than) Expenses</b>	<u>619,058</u>	<u>52,606</u>	<u>(27,812)</u>	<u>643,852</u>
<b>Net Position, Beginning of Year</b>	<u>3,787,396</u>	<u>(100,417)</u>	<u>291,312</u>	<u>3,978,291</u>
<b>Net Position, End of Year</b>	<u>\$ 4,406,454</u>	<u>\$ (47,811)</u>	<u>\$ 263,500</u>	<u>\$ 4,622,143</u>



Coal County Healthcare Authority  
Notes to Financial Statements  
June 30, 2016 and 2015

Cash flows for the year ended June 30, 2016:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Net cash from operating activities	\$ 303,141	\$ 270,173	\$ -	\$ 573,314
Net cash from noncapital financing activities	971,484	-	-	971,484
Net cash used for capital and related financing activities	(577,384)	(41,130)	-	(618,514)
Net cash from investing activities	<u>2,306</u>	<u>6,245</u>	<u>-</u>	<u>8,551</u>
Net change in cash and cash equivalents	699,547	235,288	-	934,835
Cash and cash equivalents, beginning of year	<u>1,044,186</u>	<u>97,872</u>	<u>-</u>	<u>1,142,058</u>
Cash and cash equivalents, end of year	<u>\$ 1,743,733</u>	<u>\$ 333,160</u>	<u>\$ -</u>	<u>\$ 2,076,893</u>

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
<b>Assets</b>					
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	<u>34,991</u>	<u>33,333</u>	<u>-</u>	<u>-</u>	<u>68,324</u>
Total assets	<u>\$ 4,414,942</u>	<u>\$ 636,604</u>	<u>\$ 291,312</u>	<u>\$ (361,736)</u>	<u>\$ 4,981,122</u>
<b>Liabilities</b>					
Current liabilities	\$ 368,047	\$ 725,434	\$ -	\$ (361,736)	\$ 731,745
Long-term debt, less current maturities	<u>259,499</u>	<u>11,587</u>	<u>-</u>	<u>-</u>	<u>271,086</u>
Total liabilities	<u>627,546</u>	<u>737,021</u>	<u>-</u>	<u>(361,736)</u>	<u>1,002,831</u>
<b>Net Position</b>					
Net investment in capital assets	287,155	58,754	291,312	-	637,221
Unrestricted	<u>3,500,241</u>	<u>(159,171)</u>	<u>-</u>	<u>-</u>	<u>3,341,070</u>
Total net position	<u>3,787,396</u>	<u>(100,417)</u>	<u>291,312</u>	<u>-</u>	<u>3,978,291</u>
Total liabilities and net position	<u>\$ 4,414,942</u>	<u>\$ 636,604</u>	<u>\$ 291,312</u>	<u>\$ (361,736)</u>	<u>\$ 4,981,122</u>

Coal County Healthcare Authority  
Notes to Financial Statements  
June 30, 2016 and 2015

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 and resident 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 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>



Supplementary Information  
June 30, 2016 and 2015

# 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, 2016 and 2015, and our report thereon dated November 28, 2016, 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.

Oklahoma City, Oklahoma  
November 28, 2016

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Coal County Healthcare Authority  
Combining Schedule – Statement of Net Position Information  
June 30, 2016

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,743,733	\$ 333,160	\$ -	\$ -	\$ 2,076,893
Receivables					
Patient and resident, net of estimated uncollectibles	1,106,631	281,191	-	-	1,387,822
Estimated third-party payor settlements	154,729	-	-	-	154,729
Sales tax	68,263	-	-	-	68,263
Other	61,768	-	-	-	61,768
Supplies	127,497	4,550	-	-	132,047
Due from related party	560,247	-	-	(560,247)	-
Total current assets	3,822,868	618,901	-	(560,247)	3,881,522
Capital Assets, Net	1,249,458	78,621	263,500	-	1,591,579
Other Assets	31,780	33,333	-	-	65,113
Total assets	<u>\$ 5,104,106</u>	<u>\$ 730,855</u>	<u>\$ 263,500</u>	<u>\$ (560,247)</u>	<u>\$ 5,538,214</u>

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ 152,185	\$ 6,867	\$ -	\$ -	\$ 159,052
Accounts payable	62,459	113,631	-	-	176,090
Accrued liabilities	133,845	84,828	-	-	218,673
Deposits from patients	-	8,374	-	-	8,374
Due to related party	-	560,247	-	(560,247)	-
Total current liabilities	348,489	773,947	-	(560,247)	562,189
Long-Term Debt, Net	349,163	4,719	-	-	353,882
Total liabilities	697,652	778,666	-	(560,247)	916,071
<b>Net Position</b>					
Net investment in capital assets	748,110	67,035	263,500	-	1,078,645
Unrestricted	3,658,344	(114,846)	-	-	3,543,498
Total net position	4,406,454	(47,811)	263,500	-	4,622,143
Total liabilities and net position	\$ 5,104,106	\$ 730,855	\$ 263,500	\$ (560,247)	\$ 5,538,214

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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
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
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)	-
	<u>368,047</u>	<u>725,434</u>	<u>-</u>	<u>(361,736)</u>	<u>731,745</u>
Total current liabilities					
Long-Term Debt, Net	<u>259,499</u>	<u>11,587</u>	<u>-</u>	<u>-</u>	<u>271,086</u>
Total liabilities	627,546	737,021	-	(361,736)	1,002,831
<b>Net Position</b>					
Net investment in capital assets	287,155	58,754	291,312	-	637,221
Unrestricted	<u>3,500,241</u>	<u>(159,171)</u>	<u>-</u>	<u>-</u>	<u>3,341,070</u>
Total net position	<u>3,787,396</u>	<u>(100,417)</u>	<u>291,312</u>	<u>-</u>	<u>3,978,291</u>
Total liabilities and net position	<u>\$ 4,414,942</u>	<u>\$ 636,604</u>	<u>\$ 291,312</u>	<u>\$ (361,736)</u>	<u>\$ 4,981,122</u>

Coal County Healthcare Authority  
Combining Schedule –Statement of Revenues, Expenses and Changes in Net Position Information  
Year Ended June 30, 2016

	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	\$ 4,890,766	3,336,880	\$ -	\$ -	\$ 8,227,646
Other revenues	108,410	425,030	-	-	533,440
Total operating revenues	<u>4,999,176</u>	<u>3,761,910</u>	<u>-</u>	<u>-</u>	<u>8,761,086</u>
Operating Expenses					
Nursing services	2,017,766	1,950,929	-	-	3,968,695
Other professional services	1,130,086	292,198	-	-	1,422,284
General services	401,101	542,754	-	-	943,855
Administrative services	1,293,888	896,819	-	-	2,190,707
Depreciation and amortization	324,490	32,202	27,812	-	384,504
Total operating expenses	<u>5,167,331</u>	<u>3,714,902</u>	<u>27,812</u>	<u>-</u>	<u>8,910,045</u>
Operating Income (Loss)	<u>(168,155)</u>	<u>47,008</u>	<u>(27,812)</u>	<u>-</u>	<u>(148,959)</u>
Nonoperating Revenues (Expenses)					
Sales tax	811,346	-	-	-	811,346
Investment income	2,306	6,245	-	-	8,551
Noncapital contributions	5,000	-	-	-	5,000
Interest expense	(24,372)	(647)	-	-	(25,019)
Loss on disposal of capital assets	(7,067)	-	-	-	(7,067)
Total nonoperating revenues	<u>787,213</u>	<u>5,598</u>	<u>-</u>	<u>-</u>	<u>792,811</u>
Revenues in Excess of (Less Than) Expenses	619,058	52,606	(27,812)	-	643,852
Net Position, Beginning of Year	<u>3,787,396</u>	<u>(100,417)</u>	<u>291,312</u>	<u>-</u>	<u>3,978,291</u>
Net Position, End of Year	<u>\$ 4,406,454</u>	<u>\$ (47,811)</u>	<u>\$ 263,500</u>	<u>\$ -</u>	<u>\$ 4,622,143</u>

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

	<u>Coal County General Hospital</u>	<u>Coal County Extended Care</u>	<u>Coal County Holding Company</u>	<u>Reclassifications or Eliminations</u>	<u>Combined Total</u>
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 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 (expenses)	<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  
Schedules of Net Patient and Resident Service Revenue  
Years Ended June 30, 2016 and 2015

	2016	2015
Daily Patient Services		
Medical and surgical	\$ 5,110,681	\$ 4,761,320
Swing bed	320,700	441,603
	5,431,381	5,202,923
Other Nursing Services		
Central service supplies	292,972	292,924
Emergency services	592,945	679,129
	885,917	972,053
Other Professional Services		
Ultrasound	543,255	342,885
Intravenous therapy	161,499	163,614
Respiratory therapy	6,227	7,044
Laboratory	2,001,929	1,926,641
Pharmacy	1,279,170	1,422,546
Physical therapy	480,574	426,743
Radiology	2,418,080	2,166,995
Pain management	367,257	873,876
	7,257,991	7,330,344
Charity Care	(110,583)	(120,129)
Total patient and resident service revenue	13,464,706	13,385,191
Reductions from Revenue		
Contractual adjustments	(4,791,157)	(5,163,731)
Bad debt expense	(445,903)	(563,132)
Total reductions from revenue	(5,237,060)	(5,726,863)
Net Patient and Resident Service Revenue	\$ 8,227,646	\$ 7,658,328

Coal County Healthcare Authority  
Schedules of Other Operating Revenue  
Years Ended June 30, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Other Revenue		
Focus on Excellence	\$ 355,866	\$ 362,200
Miscellaneous	<u>177,574</u>	<u>88,702</u>
Total Other Revenue	<u>\$ 533,440</u>	<u>\$ 450,902</u>

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	2016		
	Salaries	Other	Total
Nursing Services			
Medical and surgical	\$ 1,766,958	\$ 1,532,854	\$ 3,299,812
Emergency services	142,092	526,791	668,883
	<u>\$ 1,909,050</u>	<u>\$ 2,059,645</u>	<u>\$ 3,968,695</u>
Other Professional Services			
Ultrasound	\$ 12,233	\$ 25,104	\$ 37,337
Intravenous therapy	-	15,357	15,357
Respiratory therapy	7,443	15,170	22,613
Laboratory	298,190	342,972	641,162
Pharmacy	76,881	185,331	262,212
Physical therapy	53,553	133,150	186,703
Radiology	158,615	47,080	205,695
Pain management	8,303	42,902	51,205
	<u>\$ 615,218</u>	<u>\$ 807,066</u>	<u>\$ 1,422,284</u>
General Services			
Dietary	\$ 191,283	\$ 248,745	\$ 440,028
Housekeeping	178,094	60,421	238,515
Medical records	98,204	20,185	118,389
Plant operations	114,397	32,526	146,923
	<u>\$ 581,978</u>	<u>\$ 361,877</u>	<u>\$ 943,855</u>
Administrative Services			
Administrative and office	\$ 602,783	\$ 860,678	\$ 1,463,461
Employee benefits	727,246	-	727,246
	<u>\$ 1,330,029</u>	<u>\$ 860,678</u>	<u>\$ 2,190,707</u>
Depreciation	<u>\$ -</u>	<u>\$ 384,504</u>	<u>\$ 384,504</u>



Coal County Healthcare Authority  
Schedules of Operating Expenses  
Years Ended June 30, 2016 and 2015

2015		
Salaries	Other	Total
\$ 1,617,651	\$ 1,606,234	\$ 3,223,885
84,079	538,662	622,741
\$ 1,701,730	\$ 2,144,896	\$ 3,846,626
\$ 13,649	\$ 22,491	\$ 36,140
-	14,016	14,016
5,945	20,459	26,404
276,306	325,920	602,226
100,774	190,895	291,669
53,844	114,184	168,028
133,860	54,072	187,932
11,511	72,965	84,476
\$ 595,889	\$ 815,002	\$ 1,410,891
\$ 195,178	\$ 230,777	\$ 425,955
177,529	51,566	229,095
100,607	30,840	131,447
94,094	12,118	106,212
\$ 567,408	\$ 325,301	\$ 892,709
\$ 571,880	\$ 876,235	\$ 1,448,115
675,418	-	675,418
\$ 1,247,298	\$ 876,235	\$ 2,123,533
\$ -	\$ 308,536	\$ 308,536



**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, 2016, 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 28, 2016.

**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: 2016-A through 2016-C.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
November 28, 2016

## **Findings – Financial Statements Audit – Internal Controls over Financial Reporting**

### **2016-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.

*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.

*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.

*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.

*Views of Responsible Officials:* 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.

### **2016-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.

*Cause:* This weakness is due to the limited resources in the financial reporting process due to budgetary constraints. In addition, there is no established review processes.

*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.

*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.

*Views of Responsible Officials:* 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.

## **2016-C            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 recorded an estimate for the Medicare cost report settlement for the current year. However, the estimate was different from the filed cost report.

*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.

*Views of Responsible Officials:* 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.