



Management's Discussion and Analysis  
and Financial Statements  
June 30, 2018 and 2017

# Coal County Healthcare Authority

Coal County Healthcare Authority

Table of Contents  
June 30, 2018 and 2017

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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.....	24
Supplementary Information	
Combining Schedule - Statement of Net Position Information - June 30, 2018 .....	25
Combining Schedule - Statement of Net Position Information - June 30, 2017 .....	26
Combining Schedule - Statement of Revenues, expenses and Changes in Net Position Information - June 30, 2018.....	27
Combining Schedule - Statement of Revenues, expenses and Changes in Net Position Information - June 30, 2017.....	28
Schedules of Net Patient and Resident Service Revenue.....	29
Schedules of Other Operating Revenue .....	30
Schedules of Operating Expenses.....	31
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> .....	32
Schedule of Findings and Responses.....	34



## 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, 2018 and 2017, 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 from material misstatement.

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coal County Healthcare Authority as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other 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 a report dated March 1, 2019 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, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Authority's 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  
March 1, 2019

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, 2018, 2017 and 2016. 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 decreased by \$613,940 or 14% in 2018 compared to a decrease of \$109,224 or 2% in 2017.
- The Authority reported operating losses of \$1,559,319 and \$740,864 in 2018 and 2017. During 2018, operating loss increased by \$818,455 or 110% compared to 2017 and operating loss increased by \$591,905 or 397% in 2017 compared to 2016.
- Net nonoperating income increased by \$228,739 or 36% in 2018 compared to 2017 and decreased by \$161,171 or 20% in 2017 compared to 2016.

### **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 decreased by \$613,940 or 14% in 2018 and decrease of \$109,224 or 2% in 2017 as shown in Table 1.

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

	2018	2017	2016
<b>Assets</b>			
Current assets	\$ 3,695,939	\$ 3,988,656	\$ 3,881,522
Capital assets, net	1,094,172	1,415,031	1,591,579
Other noncurrent assets	141,613	65,113	65,113
<b>Total assets</b>	<b>\$ 4,931,724</b>	<b>\$ 5,468,800</b>	<b>\$ 5,538,214</b>
<b>Liabilities</b>			
Current liabilities	\$ 837,010	\$ 667,164	\$ 562,189
Long-term debt, less current maturities	195,735	288,717	353,882
<b>Total liabilities</b>	<b>1,032,745</b>	<b>955,881</b>	<b>916,071</b>
<b>Net Position</b>			
Net investment in capital assets	759,983	960,501	1,078,645
Unrestricted	3,138,996	3,552,418	3,543,498
<b>Total net position</b>	<b>3,898,979</b>	<b>4,512,919</b>	<b>4,622,143</b>
<b>Total liabilities and net position</b>	<b>\$ 4,931,724</b>	<b>\$ 5,468,800</b>	<b>\$ 5,538,214</b>

### Assets, Liabilities and Net Position

The Authority's assets decreased by \$537,076 or 10% in 2018 and decreased by \$69,414 or 1% in 2017. Capital assets decreased \$320,859 or 23% in 2018 and decreased \$176,548 or 11% in 2017 due to depreciation expense being greater than the purchase of equipment. Cash and cash equivalents decreased \$759,393 or 53% in 2018 and decreased \$651,053 or 31% in 2017 due to a decrease in receipts from operating activities. Patient and resident receivables increased \$312,652 or 18% in 2018 due to the three new clinics end and decreased \$369,137 or 27% in 2017 due to a decrease in services provided at year end. The Authority's liabilities increased by \$76,864 or 8% in 2018 and decreased by \$39,810 or 4% in 2017.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues			
Net patient and resident service revenue	\$ 9,074,999	\$ 7,976,849	\$ 8,227,646
Other revenue	558,884	529,678	533,440
Total operating revenues	<u>9,633,883</u>	<u>8,506,527</u>	<u>8,761,086</u>
Operating Expenses			
Nursing services	4,151,406	3,687,688	3,968,695
Other professional services	3,024,716	1,644,926	1,422,284
General services	997,639	951,786	943,855
Administrative services	2,617,351	2,529,116	2,190,707
Depreciation and amortization	402,090	433,875	384,504
Total operating expenses	<u>11,193,202</u>	<u>9,247,391</u>	<u>8,910,045</u>
Operating Loss	<u>(1,559,319)</u>	<u>(740,864)</u>	<u>(148,959)</u>
Nonoperating Revenues (Expenses)			
Sales tax	863,529	650,899	811,346
Investment income	13,740	1,442	8,551
Interest expense	(16,890)	(20,701)	(25,019)
Noncapital contributions	-	-	5,000
Loss of disposal of capital assets	-	-	(7,067)
Total nonoperating revenues (expenses)	<u>860,379</u>	<u>631,640</u>	<u>792,811</u>
Revenues in Excess of (Less than) Expenses Before Capital Contributions	(698,940)	(109,224)	643,852
Capital Contributions	<u>85,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	(613,940)	(109,224)	643,852
Net Position, Beginning of Year	<u>4,512,919</u>	<u>4,622,143</u>	<u>3,978,291</u>
Net Position, End of Year	<u>\$ 3,898,979</u>	<u>\$ 4,512,919</u>	<u>\$ 4,622,143</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 2018 increased by \$818,455 or 110% as compared to 2017 and operating loss increased in 2017 by \$591,905 or 397% compared to 2016.

The primary components of the increased operating loss are:

- An increase in patient revenue, net of uncollectible accounts, of \$1,098,150 or 14% as compared to a decrease in 2017 of \$250,797 or 3% as compared to 2016. The increase in 2018 is attributed to the three new clinics. The decrease in 2017 is attributed to a decrease in services provided by the Authority.
- An increase in nursing services of \$463,718 or 13% as compared to an increase in 2017 of \$281,007 or 7% as compared to 2016. The increase in 2018 is attributed to an increase in services provided by the Authority. The decrease in 2017 is attributed to a decrease in services provided by the Authority.
- An increase in other professional services of \$1,379,790 or 84% as compared to an increase in 2017 of \$222,642 or 16% as compared to 2016. The increase in 2018 is attributed to additional cost for the three new clinics. The increase in 2017 is attributed to additional cost for the behavior health program.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of sales tax revenue and interest expense. Sales tax revenues increased in 2018 by \$212,630 or 33% and decreased by \$160,447 or 20% in 2017. The interest expense decreased in 2018 by \$3,811 or 18% and decreased \$4,318 or 17% in 2017.

### **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 cash flows were as follows:

- Net cash used for operating activities increased in 2018 by \$341,453 and by \$1,524,658 in 2017.
- Net cash from noncapital financing activities increased in 2018 by \$94,345 and decreased by \$336,203 in 2017.
- Net cash used for capital and capital related financing activities decreased in 2018 by \$126,470 and decreased by \$282,082 in 2017.

### **Capital Assets**

At the end of 2018 and 2017, the Authority had \$1,094,172 and \$1,415,031 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets costing \$72,731 and \$257,327 during 2018 and 2017.

### **Debt**

At June 30, 2018 and 2017, the Authority had \$334,189 and \$454,530 in capital lease obligations outstanding as detailed in Note 6. The Authority incurred \$47,452 and \$108,000 in capital lease obligations for the years ending June 30, 2018 and 2017.

### **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, 2018 and 2017

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 666,447	\$ 1,425,840
Receivables		
Patient and resident, net of estimated uncollectibles of approximately \$1,072,000 in 2018 and \$748,000 in 2017	2,069,611	1,756,959
Estimated third-party payor settlements	391,750	484,786
Sales tax	217,784	83,881
Other	63,299	66,792
Supplies	287,048	170,398
Total current assets	3,695,939	3,988,656
<b>Capital Assets</b>		
Capital assets not being depreciated	124,063	124,063
Capital assets being depreciated, net	970,109	1,290,968
Total capital assets	1,094,172	1,415,031
<b>Other Assets</b>		
Total assets	\$ 4,931,724	\$ 5,468,800
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 138,454	\$ 165,813
Accounts payable		
Trade	361,294	236,053
Accrued expenses		
Salaries and wages	324,194	252,298
Deposits from residents	13,068	13,000
Total current liabilities	837,010	667,164
Long-Term Debt, Less Current Maturities	195,735	288,717
Total liabilities	1,032,745	955,881
<b>Net Position</b>		
Net investment in capital assets	759,983	960,501
Unrestricted	3,138,996	3,552,418
Total net position	3,898,979	4,512,919
Total liabilities and net position	\$ 4,931,724	\$ 5,468,800

Coal County Healthcare Authority  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$869,210 in 2018 and \$644,570 in 2017	\$ 9,074,999	\$ 7,976,849
Other revenue	558,884	529,678
Total operating revenues	9,633,883	8,506,527
Operating Expenses		
Nursing services	4,151,406	3,687,688
Other professional services	3,024,716	1,644,926
General services	997,639	951,786
Administrative services	2,617,351	2,529,116
Depreciation and amortization	402,090	433,875
Total operating expenses	11,193,202	9,247,391
Operating Loss	(1,559,319)	(740,864)
Nonoperating Revenues (Expenses)		
Sales tax	863,529	650,899
Investment income	13,740	1,442
Interest expense	(16,890)	(20,701)
Total nonoperating revenues (expenses)	860,379	631,640
Expenses in Excess of Revenues Before Capital Contributions	(698,940)	(109,224)
Capital Contributions	85,000	-
Change in Net Position	(613,940)	(109,224)
Net Position, Beginning of Year	4,512,919	4,622,143
Net Position, End of Year	\$ 3,898,979	\$ 4,512,919

Coal County Healthcare Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 8,855,451	\$ 7,282,281
Other receipts and payments, net	562,377	524,654
Payments to suppliers and contractors	(5,219,987)	(3,769,392)
Payments to and behalf of employees	(5,490,638)	(4,988,887)
Net Cash used for Operating Activities	(1,292,797)	(951,344)
Noncapital Financing Activities		
Proceeds from sales tax	729,626	635,281
Capital and Capital Related Financing Activities		
Purchase of property and equipment	(25,279)	(149,327)
Principal payments on capital lease obligations	(167,793)	(166,404)
Interest paid on debt obligations	(16,890)	(20,701)
Net Cash used for Capital and Capital Related Financing Activities	(209,962)	(336,432)
Investing Activities		
Investment income	13,740	1,442
Net Cash from Investing Activities	13,740	1,442
Net Change in Cash and Cash Equivalents	(759,393)	(651,053)
Cash and Cash Equivalents, Beginning of Year	1,425,840	2,076,893
Cash and Cash Equivalents, End of Year	\$ 666,447	\$ 1,425,840

Coal County Healthcare Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash used for		
Operating Activities		
Operating loss	\$ (1,559,319)	\$ (740,864)
Adjustments to reconcile operating loss		
to net cash used for operating activities		
Provision for bad debt	869,210	644,570
Depreciation and amortization	402,090	433,875
Changes in assets and liabilities		
Patient and resident receivables	(1,181,862)	(1,013,707)
Other receivables	3,493	(5,024)
Supplies	(116,650)	(38,351)
Accounts payable	125,241	59,963
Accrued expenses	71,896	33,625
Deposits from residents	68	4,626
Estimated third-party settlements	93,036	(330,057)
Net Cash used for Operating Activities	\$ (1,292,797)	\$ (951,344)
Supplemental Disclosure of Noncash Capital and Capital Related		
Financing Activities		
Equipment financed through capital lease arrangements	\$ 47,452	\$ 108,000
Contribution of clinics	\$ 85,000	\$ -

## **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. During 2018, the Authority received a donation of 3 clinics from a local physician. 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, 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.

### **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.

### **Income Taxes**

The Hospital is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Hospital is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Hospital has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS. The Holding Company and Nursing Home are being treated as tax exempt and have applied for tax exempt status subsequent to year end with the Internal Revenue Service (IRS).

The Holding Company, Hospital and Nursing Home believe that they have appropriate support for any tax positions taken affecting their annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Holding Company, Hospital and Nursing Home would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **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. The Authority had no restricted, expendable net position at June 30, 2018 and 2017.

*Restricted – nonexpendable net position* is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Authority had no restricted, nonexpendable net position at June 30, 2018 and 2017.

*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.

The net patient service revenue for the years ended June 30, 2018 and 2017 decreased approximately \$80,000 and \$307,000 for changes in estimates related to allowances of collectability on patient receivables and final third party payor settlements which are no longer necessary as a result of final settlements.

### **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 with no expiration date for the support of the Authority. The Authority received approximately 7% of its financial support from county appropriations related to sales tax in 2018 and 8% in 2017. 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 expenses in excess of revenues. 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 \$46,000 and \$76,000 for the years ended June 30, 2018 and 2017. Total direct and indirect costs related to these foregone charges were approximately \$30,000 and \$47,000 at June 30, 2018 and 2017, 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 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 be equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

The Authority records receipts to net patient service revenue. The Authority received \$54,345 and \$58,768 during the years ended June 30, 2018 and 2017.

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, 2017.

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, 2018 and 2017:

	2018	2017
Medicare	63%	62%
Medicaid	17%	20%
Blue Cross and other commercial payors	10%	8%
Self pay and other	10%	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.

### Note 3 - Deposits

The carrying amounts of deposits as of June 30, 2018 and 2017 are as follows:

	2018	2017
Carrying Amount		
Cash and deposits	\$ 666,447	\$ 1,425,840

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

	2018	2017
Cash and cash equivalents	\$ 666,447	\$ 1,425,840

### 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.

The Authority's deposits in banks at June 30, 2018 and 2017 were entirely covered by federal depository insurance or by collateral held by the Authority's custodial bank in the Authority's name.

**Investment Income**

Investment income on cash and cash equivalents consists primarily of interest income for the years ended June 30, 2018 and 2017.

**Note 4 - Capital Assets**

Capital asset additions, transfers, retirements, and balances for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Transfers and Retirements	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 124,063	\$ -	\$ -	\$ 124,063
Total capital assets not being depreciated	\$ 124,063	\$ -	\$ -	\$ 124,063
Capital assets being depreciated				
Building and building improvements	\$ 2,772,263	\$ -	\$ -	\$ 2,772,263
Equipment	3,445,723	25,279	-	3,471,002
Equipment under capital obligations	1,003,908	47,452	-	1,051,360
Total capital assets being depreciated	7,221,894	\$ 72,731	\$ -	7,294,625
Less accumulated depreciation for				
Building and building improvements	(2,563,753)	\$ (32,661)	\$ -	(2,596,414)
Equipment	(2,801,798)	(186,463)	-	(2,988,261)
Equipment under capital obligations	(565,375)	(174,466)	-	(739,841)
Total accumulated depreciation	(5,930,926)	\$ (393,590)	\$ -	(6,324,516)
Net capital assets being depreciated	\$ 1,290,968			\$ 970,109
Capital assets, net	\$ 1,415,031			\$ 1,094,172

Coal County Healthcare Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

Capital asset additions, transfers, retirements, and balances for the year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Additions	Transfers and Retirements	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 124,063	\$ -	\$ -	\$ 124,063
Total capital assets not being depreciated	<u>\$ 124,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,063</u>
Capital assets being depreciated				
Building and building improvements	\$ 2,682,676	\$ 71,994	\$ 17,593	\$ 2,772,263
Equipment	3,385,983	77,333	(17,593)	3,445,723
Equipment under capital obligations	991,489	108,000	(95,581)	1,003,908
Total capital assets being depreciated	<u>7,060,148</u>	<u>\$ 257,327</u>	<u>\$ (95,581)</u>	<u>7,221,894</u>
Less accumulated depreciation for				
Building and building improvements	(2,525,646)	\$ (32,451)	\$ (5,656)	(2,563,753)
Equipment	(2,591,605)	(215,849)	5,656	(2,801,798)
Equipment under capital obligations	(475,381)	(185,575)	95,581	(565,375)
Total accumulated depreciation	<u>(5,592,632)</u>	<u>\$ (433,875)</u>	<u>\$ 95,581</u>	<u>(5,930,926)</u>
Net capital assets being depreciated	<u>\$ 1,467,516</u>			<u>\$ 1,290,968</u>
Capital assets, net	<u>\$ 1,591,579</u>			<u>\$ 1,415,031</u>

**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, 2018 and 2017 for all operating leases was approximately \$108,000 and \$89,000. The capitalized leased assets consist of:

	2018	2017
Major Movable Equipment	\$ 1,051,360	\$ 1,003,908
Less Accumulated Amortization	<u>(739,841)</u>	<u>(565,375)</u>
	<u>\$ 311,519</u>	<u>\$ 438,533</u>

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

Year Ending June 30,	Operating Leases
2019	\$ 20,291
2020	17,673
2021	13,196
 Total minimum lease payments	 <u><u>\$ 51,160</u></u>

For future maturities of capital leases, see Note 6.

**Note 6 - Long-Term Debt**

A schedule of changes in the Authority's long-term debt for 2018 and 2017 is as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Capital lease obligations (1)	\$ 454,530	\$ 47,452	\$ (167,793)	\$ 334,189	\$ 138,454
	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Capital lease obligations (1)	\$ 512,934	\$ 108,000	\$ (166,404)	\$ 454,530	\$ 165,813

(1) Capital leases with various interest rates from 3.33% to 5.25%, collateralized by associated equipment, with varying maturity dates from September 2018 through December 2022.

Long-term debt maturities are as follows:

Year Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2019	\$ 138,454	\$ 9,991	\$ 148,445
2020	123,732	5,110	128,842
2021	29,092	2,337	31,429
2022	30,269	1,162	31,431
2023	12,642	114	12,756
 Total	 <u><u>\$ 334,189</u></u>	 <u><u>\$ 18,714</u></u>	 <u><u>\$ 352,903</u></u>

During May 2018, the Authority obtained a line of credit up to \$250,000 with a due date of May 2019. During June 2018, the Authority obtained a line of credit up to \$250,000 with a due date of December 2018. No amounts were outstanding at June 30, 2018 on either line of credit.

**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, 2018 and 2017 was as follows:

	2018	2017
Medicare	56%	60%
Medicaid	8%	8%
Commercial and other third-party payors	11%	9%
Patients and residents	25%	23%
	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 and resident services.

**Note 9 - Condensed Combining Information**

The following summarized combining information for the Hospital, Nursing Home, and Holding Company, which have been presented as blended component units, as of and for the year ended June 30, 2018:

The Authority does not have any assets, liabilities or operations.

Statement of net position as of June 30, 2018:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Eliminations	Total
<b>Assets</b>					
Current assets	\$ 4,145,746	\$ 462,573	\$ -	\$ (912,380)	\$ 3,695,939
Capital assets, net	760,783	118,664	214,725	-	1,094,172
Other noncurrent assets	108,280	33,333	-	-	141,613
<b>Total assets</b>	<b>\$ 5,014,809</b>	<b>\$ 614,570</b>	<b>\$ 214,725</b>	<b>\$ (912,380)</b>	<b>\$ 4,931,724</b>
<b>Liabilities</b>					
Current liabilities	\$ 594,160	\$ 1,155,230	\$ -	\$ (912,380)	\$ 837,010
Long-term debt, less current maturities	161,388	34,347	-	-	195,735
<b>Total liabilities</b>	<b>755,548</b>	<b>1,189,577</b>	<b>-</b>	<b>(912,380)</b>	<b>1,032,745</b>
<b>Net Position</b>					
Net investment in capital assets	469,652	75,606	214,725	-	759,983
Unrestricted	3,789,609	(650,613)	-	-	3,138,996
<b>Total net position</b>	<b>4,259,261</b>	<b>(575,007)</b>	<b>214,725</b>	<b>-</b>	<b>3,898,979</b>
<b>Total liabilities and net position</b>	<b>\$ 5,014,809</b>	<b>\$ 614,570</b>	<b>\$ 214,725</b>	<b>\$ (912,380)</b>	<b>\$ 4,931,724</b>

Operating results and changes in net position for the year ended June 30, 2018:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
<b>Operating Revenues</b>				
Net patient service revenue	\$ 5,830,680	\$ 3,244,319	\$ -	\$ 9,074,999
Other revenue	85,337	473,547	-	558,884
<b>Total operating revenues</b>	<b>5,916,017</b>	<b>3,717,866</b>	<b>-</b>	<b>9,633,883</b>
<b>Operating Expenses</b>				
Depreciation and amortization	332,640	47,787	21,663	402,090
Other operating expenses	6,638,291	4,152,821	-	10,791,112
<b>Total operating expenses</b>	<b>6,970,931</b>	<b>4,200,608</b>	<b>21,663</b>	<b>11,193,202</b>
<b>Operating Loss</b>	<b>(1,054,914)</b>	<b>(482,742)</b>	<b>(21,663)</b>	<b>(1,559,319)</b>
<b>Nonoperating Revenues</b>	<b>849,033</b>	<b>11,346</b>	<b>-</b>	<b>860,379</b>
<b>Expenses in Excess of Revenues Before Capital Contributions</b>	<b>(205,881)</b>	<b>(471,396)</b>	<b>(21,663)</b>	<b>(698,940)</b>
<b>Capital Contributions</b>	<b>85,000</b>	<b>-</b>	<b>-</b>	<b>85,000</b>
<b>Change in Net Position</b>	<b>(120,881)</b>	<b>(471,396)</b>	<b>(21,663)</b>	<b>(613,940)</b>
<b>Net Position, Beginning of Year</b>	<b>4,380,142</b>	<b>(103,611)</b>	<b>236,388</b>	<b>4,512,919</b>
<b>Net Position, End of Year</b>	<b>\$ 4,259,261</b>	<b>\$ (575,007)</b>	<b>\$ 214,725</b>	<b>\$ 3,898,979</b>

Coal County Healthcare Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

Cash flows for the year ended June 30, 2018:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Net cash used for operating activities	\$ (1,170,560)	\$ (122,237)	\$ -	\$ (1,292,797)
Net cash from noncapital financing activities	729,626	-	-	729,626
Net cash used for capital and related financing activities	(180,135)	(29,827)	-	(209,962)
Net cash from investing activities	<u>1,136</u>	<u>12,604</u>	<u>-</u>	<u>13,740</u>
Net change in cash and cash equivalents	(619,933)	(139,460)	-	(759,393)
Cash and cash equivalents, beginning of year	<u>1,256,623</u>	<u>169,217</u>	<u>-</u>	<u>1,425,840</u>
Cash and cash equivalents, end of year	<u>\$ 636,690</u>	<u>\$ 29,757</u>	<u>\$ -</u>	<u>\$ 666,447</u>

The following summarized combining information for the Hospital, Nursing Home, and Holding Company, which have been presented as blended component units, as of and for the year ended June 30, 2017:

The Authority does not have any assets, liabilities or operations.

Statement of net position as of June 30, 2017:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Eliminations	Total
<b>Assets</b>					
Current assets	\$ 3,996,062	\$ 620,140	\$ -	\$ (627,546)	\$ 3,988,656
Capital assets, net	1,079,100	99,543	236,388	-	1,415,031
Other noncurrent assets	<u>31,780</u>	<u>33,333</u>	<u>-</u>	<u>-</u>	<u>65,113</u>
Total assets	<u>\$ 5,106,942</u>	<u>\$ 753,016</u>	<u>\$ 236,388</u>	<u>\$ (627,546)</u>	<u>\$ 5,468,800</u>
<b>Liabilities</b>					
Current liabilities	\$ 438,083	\$ 856,627	\$ -	\$ (627,546)	\$ 667,164
Long-term debt, less current maturities	<u>288,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,717</u>
Total liabilities	<u>726,800</u>	<u>856,627</u>	<u>-</u>	<u>(627,546)</u>	<u>955,881</u>
<b>Net Position</b>					
Net investment in capital assets	629,289	94,824	236,388	-	960,501
Unrestricted	<u>3,750,853</u>	<u>(198,435)</u>	<u>-</u>	<u>-</u>	<u>3,552,418</u>
Total net position	<u>4,380,142</u>	<u>(103,611)</u>	<u>236,388</u>	<u>-</u>	<u>4,512,919</u>
Total liabilities and net position	<u>\$ 5,106,942</u>	<u>\$ 753,016</u>	<u>\$ 236,388</u>	<u>\$ (627,546)</u>	<u>\$ 5,468,800</u>



Coal County Healthcare Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

Operating results and changes in net position for the year ended June 30, 2017:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Operating Revenues				
Net patient and resident service revenue	\$ 4,746,017	\$ 3,230,832	\$ -	\$ 7,976,849
Other revenue	88,585	441,093	-	529,678
Total operating revenues	<u>4,834,602</u>	<u>3,671,925</u>	<u>-</u>	<u>8,506,527</u>
Operating Expenses				
Depreciation	367,927	38,836	27,112	433,875
Other operating expenses	5,124,910	3,688,606	-	8,813,516
Total operating expenses	<u>5,492,837</u>	<u>3,727,442</u>	<u>27,112</u>	<u>9,247,391</u>
Operating Loss	(658,235)	(55,517)	(27,112)	(740,864)
Nonoperating Revenues (Expenses)	<u>631,923</u>	<u>(283)</u>	<u>-</u>	<u>631,640</u>
Revenues in Excess of (Less Than) Expenses	(26,312)	(55,800)	(27,112)	(109,224)
Net Position, Beginning of Year	<u>4,406,454</u>	<u>(47,811)</u>	<u>263,500</u>	<u>4,622,143</u>
Net Position, End of Year	<u>\$ 4,380,142</u>	<u>\$ (103,611)</u>	<u>\$ 236,388</u>	<u>\$ 4,512,919</u>

Cash flows for the year ended June 30, 2017:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Net cash used for operating activities	\$ (854,309)	\$ (97,035)	\$ -	\$ (951,344)
Net cash from noncapital financing activities	635,281	-	-	635,281
Net cash used for capital and related financing activities	(269,399)	(67,033)	-	(336,432)
Net cash from investing activities	<u>1,317</u>	<u>125</u>	<u>-</u>	<u>1,442</u>
Net change in cash and cash equivalents	(487,110)	(163,943)	-	(651,053)
Cash and cash equivalents, beginning of year	<u>1,743,733</u>	<u>333,160</u>	<u>-</u>	<u>2,076,893</u>
Cash and cash equivalents, end of year	<u>\$ 1,256,623</u>	<u>\$ 169,217</u>	<u>\$ -</u>	<u>\$ 1,425,840</u>



Supplementary Information  
June 30, 2018 and 2017

# 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, 2018 and 2017, and our report thereon dated March 1, 2019, 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 information, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
March 1, 2019

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Coal County Healthcare Authority  
Combining Schedule – Statement of Net Position Information  
June 30, 2018

	<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>
Assets					
Current Assets					
Cash and cash equivalents	\$ 636,690	\$ 29,757	\$ -	\$ -	\$ 666,447
Receivables					
Patient and resident, net of estimated uncollectibles	1,649,203	420,408	-	-	2,069,611
Estimated third-party payor settlements	391,750	-	-	-	391,750
Sales tax	217,784	-	-	-	217,784
Other	56,949	6,350	-	-	63,299
Supplies	280,990	6,058	-	-	287,048
Due from related party	912,380	-	-	(912,380)	-
Total current assets	4,145,746	462,573	-	(912,380)	3,695,939
Capital Assets, Net	760,783	118,664	214,725	-	1,094,172
Other Assets	108,280	33,333	-	-	141,613
Total assets	<u>\$ 5,014,809</u>	<u>\$ 614,570</u>	<u>\$ 214,725</u>	<u>\$ (912,380)</u>	<u>\$ 4,931,724</u>

	<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>
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ 129,743	\$ 8,711	\$ -	\$ -	\$ 138,454
Accounts payable	236,673	124,621	-	-	361,294
Accrued liabilities	227,744	96,450	-	-	324,194
Deposits from residents	-	13,068	-	-	13,068
Due to related party	-	912,380	-	(912,380)	-
Total current liabilities	594,160	1,155,230	-	(912,380)	837,010
Long-Term Debt, Net	161,388	34,347	-	-	195,735
Total liabilities	755,548	1,189,577	-	(912,380)	1,032,745
<b>Net Position</b>					
Net investment in capital assets	469,652	75,606	214,725	-	759,983
Unrestricted	3,789,609	(650,613)	-	-	3,138,996
Total net position	4,259,261	(575,007)	214,725	-	3,898,979
Total liabilities and net position	<u>\$ 5,014,809</u>	<u>\$ 614,570</u>	<u>\$ 214,725</u>	<u>\$ (912,380)</u>	<u>\$ 4,931,724</u>

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Coal County Healthcare Authority  
Combining Schedule – Statement of Net Position Information  
June 30, 2017

	<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>
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,256,623	\$ 169,217	\$ -	\$ -	\$ 1,425,840
Receivables					
Patient and resident, net of estimated uncollectibles	1,316,303	440,656	-	-	1,756,959
Estimated third-party payor settlements	484,786	-	-	-	484,786
Sales tax	83,881	-	-	-	83,881
Other	60,442	6,350	-	-	66,792
Supplies	166,481	3,917	-	-	170,398
Due from related party	627,546	-	-	(627,546)	-
Total current assets	3,996,062	620,140	-	(627,546)	3,988,656
Capital Assets, Net	1,079,100	99,543	236,388	-	1,415,031
Other Assets	31,780	33,333	-	-	65,113
Total assets	<u>\$ 5,106,942</u>	<u>\$ 753,016</u>	<u>\$ 236,388</u>	<u>\$ (627,546)</u>	<u>\$ 5,468,800</u>



	<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>
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ 161,094	\$ 4,719	\$ -	\$ -	\$ 165,813
Accounts payable	122,451	113,602	-	-	236,053
Accrued liabilities	154,538	97,760	-	-	252,298
Deposits from residents	-	13,000	-	-	13,000
Due to related party	-	627,546	-	(627,546)	-
Total current liabilities	438,083	856,627	-	(627,546)	667,164
Long-Term Debt, Net	288,717	-	-	-	288,717
Total liabilities	726,800	856,627	-	(627,546)	955,881
<b>Net Position</b>					
Net investment in capital assets	629,289	94,824	236,388	-	960,501
Unrestricted	3,750,853	(198,435)	-	-	3,552,418
Total net position	4,380,142	(103,611)	236,388	-	4,512,919
Total liabilities and net position	<u>\$ 5,106,942</u>	<u>\$ 753,016</u>	<u>\$ 236,388</u>	<u>\$ (627,546)</u>	<u>\$ 5,468,800</u>

Coal County Healthcare Authority  
Combining Schedule –Statement of Revenues, Expenses and Changes in Net Position Information  
Year Ended June 30, 2018

	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	\$ 5,830,680	\$ 3,244,319	\$ -	\$ -	\$ 9,074,999
Other revenues	85,337	473,547	-	-	558,884
Total operating revenues	<u>5,916,017</u>	<u>3,717,866</u>	<u>-</u>	<u>-</u>	<u>9,633,883</u>
Operating Expenses					
Nursing services	1,893,096	2,258,310	-	-	4,151,406
Other professional services	2,739,378	285,338	-	-	3,024,716
General services	404,885	592,754	-	-	997,639
Administrative services	1,600,932	1,016,419	-	-	2,617,351
Depreciation and amortization	332,640	47,787	21,663	-	402,090
Total operating expenses	<u>6,970,931</u>	<u>4,200,608</u>	<u>21,663</u>	<u>-</u>	<u>11,193,202</u>
Operating Loss	<u>(1,054,914)</u>	<u>(482,742)</u>	<u>(21,663)</u>	<u>-</u>	<u>(1,559,319)</u>
Nonoperating Revenues (Expenses)					
Sales tax	863,529	-	-	-	863,529
Investment income	1,136	12,604	-	-	13,740
Interest expense	(15,632)	(1,258)	-	-	(16,890)
Total nonoperating revenues (expenses)	<u>849,033</u>	<u>11,346</u>	<u>-</u>	<u>-</u>	<u>860,379</u>
Expenses in Excess of Revenues Before Capital Contributions	(205,881)	(471,396)	(21,663)	-	(698,940)
Capital Contributions	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
Change in Net Position	(120,881)	(471,396)	(21,663)	-	(613,940)
Net Position, Beginning of Year	<u>4,380,142</u>	<u>(103,611)</u>	<u>236,388</u>	<u>-</u>	<u>4,512,919</u>
Net Position, End of Year	<u>\$ 4,259,261</u>	<u>\$ (575,007)</u>	<u>\$ 214,725</u>	<u>\$ -</u>	<u>\$ 3,898,979</u>

Coal County Healthcare Authority  
Combining Schedule –Statement of Revenues, Expenses and Changes in Net Position Information  
Year Ended June 30, 2017

	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	\$ 4,746,017	\$ 3,230,832	\$ -	\$ -	\$ 7,976,849
Other revenues	88,585	441,093	-	-	529,678
Total operating revenues	<u>4,834,602</u>	<u>3,671,925</u>	<u>-</u>	<u>-</u>	<u>8,506,527</u>
Operating Expenses					
Nursing services	1,869,166	1,818,522	-	-	3,687,688
Other professional services	1,368,958	275,968	-	-	1,644,926
General services	396,916	554,870	-	-	951,786
Administrative services	1,489,870	1,039,246	-	-	2,529,116
Depreciation and amortization	367,927	38,836	27,112	-	433,875
Total operating expenses	<u>5,492,837</u>	<u>3,727,442</u>	<u>27,112</u>	<u>-</u>	<u>9,247,391</u>
Operating Loss	<u>(658,235)</u>	<u>(55,517)</u>	<u>(27,112)</u>	<u>-</u>	<u>(740,864)</u>
Nonoperating Revenues (Expenses)					
Sales tax	650,899	-	-	-	650,899
Investment income	1,317	125	-	-	1,442
Interest expense	(20,293)	(408)	-	-	(20,701)
Total nonoperating revenues (expenses)	<u>631,923</u>	<u>(283)</u>	<u>-</u>	<u>-</u>	<u>631,640</u>
Revenues in Excess of (Less Than) Expenses	(26,312)	(55,800)	(27,112)	-	(109,224)
Net Position, Beginning of Year	<u>4,406,454</u>	<u>(47,811)</u>	<u>263,500</u>	<u>-</u>	<u>4,622,143</u>
Net Position, End of Year	<u>\$ 4,380,142</u>	<u>\$ (103,611)</u>	<u>\$ 236,388</u>	<u>\$ -</u>	<u>\$ 4,512,919</u>

Coal County Healthcare Authority  
Schedules of Net Patient and Resident Service Revenue  
Years Ended June 30, 2018 and 2017

	2018	2017
Daily Patient Services		
Medical and surgical	\$ 4,346,867	\$ 4,666,196
Swing bed	164,400	291,900
	4,511,267	4,958,096
Other Nursing Services		
Central service supplies	129,659	187,572
Emergency services	710,591	621,253
	840,250	808,825
Other Professional Services		
Ultrasound	312,425	426,625
Intravenous therapy	113,146	135,303
Respiratory therapy	7,249	8,784
Laboratory	5,239,180	3,223,346
Pharmacy	651,266	1,040,653
Physical therapy	444,369	413,945
Radiology	2,139,935	2,489,085
Clinics	1,195,746	-
Behavioral health	1,345,877	650,729
	11,449,193	8,388,470
Charity Care	(46,205)	(76,229)
Total patient and resident service revenue	16,754,505	14,079,162
Reductions from Revenue		
Contractual adjustments	(6,810,296)	(5,457,743)
Bad debt expense	(869,210)	(644,570)
	(7,679,506)	(6,102,313)
Net Patient and Resident Service Revenue	\$ 9,074,999	\$ 7,976,849

Coal County Healthcare Authority  
Schedules of Other Operating Revenue  
Years Ended June 30, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
Other Revenue		
Focus on Excellence	\$ 425,794	394,737
Miscellaneous	<u>133,090</u>	<u>134,941</u>
Total Other Revenue	<u><u>\$ 558,884</u></u>	<u><u>\$ 529,678</u></u>

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	2018		
	Salaries	Other	Total
Nursing Services			
Medical and surgical	\$ 2,054,972	\$ 1,467,036	\$ 3,522,008
Emergency services	99,987	529,411	629,398
	<u>\$ 2,154,959</u>	<u>\$ 1,996,447</u>	<u>\$ 4,151,406</u>
Other Professional Services			
Ultrasound	\$ 17,255	\$ 17,596	\$ 34,851
Intravenous therapy	-	7,377	7,377
Respiratory therapy	7,485	16,375	23,860
Laboratory	322,523	1,092,290	1,414,813
Pharmacy	48,952	142,163	191,115
Physical therapy	50,497	147,499	197,996
Radiology	157,638	41,171	198,809
Clinics	355,056	301,179	656,235
Behavioral health	183,039	116,621	299,660
	<u>\$ 1,142,445</u>	<u>\$ 1,882,271</u>	<u>\$ 3,024,716</u>
General Services			
Dietary	\$ 213,042	\$ 240,527	\$ 453,569
Housekeeping	229,343	61,185	290,528
Medical records	109,883	4,845	114,728
Plant operations	110,642	28,172	138,814
	<u>\$ 662,910</u>	<u>\$ 334,729</u>	<u>\$ 997,639</u>
Administrative Services			
Administrative and office	\$ 660,686	\$ 1,015,131	\$ 1,675,817
Employee benefits	941,534	-	941,534
	<u>\$ 1,602,220</u>	<u>\$ 1,015,131</u>	<u>\$ 2,617,351</u>
Depreciation and Amortization	<u>\$ -</u>	<u>\$ 402,090</u>	<u>\$ 402,090</u>

Coal County Healthcare Authority  
Schedules of Operating Expenses  
Years Ended June 30, 2018 and 2017

2017		
Salaries	Other	Total
\$ 2,113,039	\$ 923,525	\$ 3,036,564
123,885	527,239	651,124
\$ 2,236,924	\$ 1,450,764	\$ 3,687,688
\$ 17,939	\$ 19,137	\$ 37,076
-	9,786	9,786
16,169	19,031	35,200
294,114	545,648	839,762
70,201	169,536	239,737
52,835	122,779	175,614
154,797	39,843	194,640
-	-	-
68,788	44,323	113,111
\$ 674,843	\$ 970,083	\$ 1,644,926
\$ 189,461	\$ 245,931	\$ 435,392
198,664	55,938	254,602
92,622	16,451	109,073
123,069	29,650	152,719
\$ 603,816	\$ 347,970	\$ 951,786
\$ 658,512	\$ 1,022,187	\$ 1,680,699
848,417	-	848,417
\$ 1,506,929	\$ 1,022,187	\$ 2,529,116
\$ -	\$ 433,875	\$ 433,875





**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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 1, 2019.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been 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 and significant deficiencies.

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: 2018-A through 2018-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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2018-G.

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**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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
March 1, 2019

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

### **Material Weakness**

#### **2018-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.

#### **2018-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.

#### **2018-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.

#### **2018-D            Clinic 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 for clinic receivables.

*Effect:* Interim financial statements may not be properly stated. An audit adjustment was made to the clinic allowance accounts.

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

*Auditor's 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.

*Views of Responsible Officials:* Management will develop an estimate based on historical collection percentages.

**2018-E Clinic Donation**

*Criteria:* Accountings standards require an entity to record donations at fair value when received in order to fairly state the financial position.

*Condition:* During the current year, the Authority received a donation of three health clinics. However, there was no donation recorded for new clinics.

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

*Cause:* There was no donation recorded for the three health clinics the Authority received.

*Auditor's Recommendation:* We recommend that management review the valuation of all donations and record the fair value of all donations.

*Views of Responsible Officials:* Management will implement policy and procedures regarding clinic valuation.

**2018-F Clinic Revenue**

*Criteria:* Accountings standards require an entity to record revenue when services are provided.

*Condition:* During the year, the Authority started billing for three health clinics. However, due to the transition of ownership, proper recording of charges and billing of patients was not performed.

*Effect:* Interim financial statements may not be properly stated. An audit adjustment was made to the clinic revenue accounts.

*Cause:* Clinic revenue was not recorded in a timely manner. During certain months, revenue was estimated based on visits rather than actual charges.

*Auditor's Recommendation:* We recommend that management record charges and bill patients in a timely manner.

*Views of Responsible Officials:* Management will develop proper policies and procedures to record and bill clinic charges timely

**Significant Deficiency**

**2018-G            Capital Lease**

*Criteria:* During the course of the engagement, we identified a lease that should have been recorded as a capital lease.

*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.