



Management's Discussion and Analysis
and Financial Statements
June 30, 2019 and 2018

Coal County Healthcare Authority

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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, 2019 and 2018, 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, 2019 and 2018, 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 7 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 January 27, 2020 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.



Oklahoma City, Oklahoma
January 27, 2020

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, 2019, 2018 and 2017. 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 \$4,569 or 0.1% in 2019 compared to a decrease of \$613,940 or 14% in 2018.
- The Authority reported operating losses of \$1,246,179 and \$1,559,319 in 2019 and 2018. During 2019, operating loss decreased by \$313,140 or 20% compared to 2018 and operating loss increased by \$818,455 or 110% in 2018 compared to 2017.
- Net nonoperating income increased by \$390,369 or 45% in 2019 compared to 2018 and increased by \$228,739 or 36% in 2018 compared to 2017.

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 \$4,569 or 0.1% in 2019 and decreased by \$613,940 or 14% in 2018 as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2019	2018	2017
Assets			
Current assets	\$ 3,765,087	\$ 3,695,939	\$ 3,988,656
Capital assets, net	1,088,774	1,094,172	1,415,031
Other noncurrent assets	124,613	141,613	65,113
Total assets	<u>\$ 4,978,474</u>	<u>\$ 4,931,724</u>	<u>\$ 5,468,800</u>
Liabilities			
Current liabilities	\$ 832,666	\$ 837,010	\$ 667,164
Long-term debt, less current maturities	242,260	195,735	288,717
Total liabilities	<u>1,074,926</u>	<u>1,032,745</u>	<u>955,881</u>
Net Position			
Net investment in capital assets	653,924	759,983	960,501
Unrestricted	3,249,624	3,138,996	3,552,418
Total net position	<u>3,903,548</u>	<u>3,898,979</u>	<u>4,512,919</u>
Total liabilities and net position	<u>\$ 4,978,474</u>	<u>\$ 4,931,724</u>	<u>\$ 5,468,800</u>

Assets, Liabilities and Net Position

The Authority's assets increased by \$46,750 or 1% in 2019 and decreased by \$537,076 or 10% in 2018. Cash and cash equivalents decreased \$363,362 or 55% in 2019 and decreased \$759,393 or 53% in 2018 due to an increase in cash used for operating activities. Patient and resident receivables increased \$436,702 or 21% in 2019 and increased \$312,652 or 18% in 2018 due to the donation of three clinics. The Authority's liabilities increased by \$42,181 or 4% in 2019 and increased by \$76,864 or 8% in 2018. Trade payables decreased \$127,292 or 35% in 2019 and increased \$125,241 or 53% in 2018 due to costs associated with the clinic donation in 2018. Notes payable increased \$50,000 or 100% in 2019 due to the Authority using their line of credit for operations.

Table 2: Operating Results and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues			
Net patient and resident service revenue	\$ 10,192,298	\$ 9,074,999	\$ 7,976,849
Other revenue	562,752	558,884	529,678
Total operating revenues	<u>10,755,050</u>	<u>9,633,883</u>	<u>8,506,527</u>
Operating Expenses			
Nursing services	4,076,465	4,151,406	3,687,688
Other professional services	3,859,657	3,024,716	1,644,926
General services	1,036,852	997,639	951,786
Administrative services	2,657,103	2,617,351	2,529,116
Depreciation and amortization	371,152	402,090	433,875
Total operating expenses	<u>12,001,229</u>	<u>11,193,202</u>	<u>9,247,391</u>
Operating Loss	<u>(1,246,179)</u>	<u>(1,559,319)</u>	<u>(740,864)</u>
Nonoperating Revenues (Expenses)			
Sales tax	1,255,485	863,529	650,899
Investment income	23,802	13,740	1,442
Interest expense	(28,539)	(16,890)	(20,701)
Total nonoperating revenues (expenses)	<u>1,250,748</u>	<u>860,379</u>	<u>631,640</u>
Revenues in Excess of (Less than) Expenses Before Capital Contributions	4,569	(698,940)	(109,224)
Capital Contributions	<u>-</u>	<u>85,000</u>	<u>-</u>
Change in Net Position	4,569	(613,940)	(109,224)
Net Position, Beginning of Year	<u>3,898,979</u>	<u>4,512,919</u>	<u>4,622,143</u>
Net Position, End of Year	<u>\$ 3,903,548</u>	<u>\$ 3,898,979</u>	<u>\$ 4,512,919</u>

Operating Results

The first component of the overall change in the Authority's net position is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. The operating loss for 2019 decreased by \$313,140 or 20% as compared to 2018 and operating loss increased in 2018 by \$818,455 or 110% compared to 2017.

The primary components of the operating loss are:

- An increase in patient revenue, net of uncollectible accounts, of \$1,117,299 or 12% as compared to an increase in 2018 of \$1,098,150 or 14% as compared to 2017. The increase in 2019 is attributed to the full year of operations of the three clinics. The increase in 2018 is attributed to an increase in services provided by the Authority.
- A decrease in nursing services of \$74,941 or 2% as compared to an increase in 2018 of \$463,718 or 13% as compared to 2017. The decrease in 2019 is attributed to the utilization of employees. The increase in 2018 is attributed to an increase in services provided by the Authority.
- An increase in other professional services of \$834,941 or 28% as compared to an increase in 2018 of \$1,379,790 or 84% as compared to 2017. The increase in 2019 is attributed to a full year of clinic operations and increased lab supply cost. The increase and 2018 is attributed to additional cost for the three clinics.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of sales tax revenue and interest expense. Sales tax revenues increased in 2019 by \$391,956 or 45% and increased by \$212,630 or 33% in 2018. The interest expense increased in 2019 by \$11,649 or 69% and decreased \$3,811 or 18% in 2018.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating loss 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 2019 by \$189,281 and by \$341,453 in 2018.
- Net cash from noncapital financing activities increased in 2019 by \$636,977 and by \$94,345 in 2018. The increase in 2019 is due to new businesses in the area.
- Net cash used for capital and capital related financing activities increased in 2019 by \$61,727 and decreased by \$126,470 in 2018.

Capital Assets

At the end of 2019 and 2018, the Authority had \$1,088,774 and \$1,094,172 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets costing \$348,754 and \$72,731 during 2019 and 2018.

Debt

At June 30, 2019 and 2018, the Authority had \$434,850 and \$334,189 in capital lease obligations outstanding as detailed in Note 6. The Authority incurred \$294,273 and \$47,452 in capital lease obligations for the years ending June 30, 2019 and 2018. During 2019 and 2018, the Authority used \$200,000 and \$0 of the line of credit. During 2019 and 2018, the Authority made payments of \$150,000 and \$0 on the line of credit.

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, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 303,085	\$ 666,447
Receivables		
Patient and resident, net of estimated uncollectibles of approximately \$611,000 in 2019 and \$1,072,000 in 2018	2,506,313	2,069,611
Estimated third-party payor settlements	369,088	391,750
Sales tax	151,723	217,784
Other	70,117	63,299
Supplies	322,187	287,048
Prepaid Expenses	42,574	-
Total current assets	3,765,087	3,695,939
Capital Assets		
Capital assets not being depreciated	124,063	124,063
Capital assets being depreciated, net	964,711	970,109
Total capital assets	1,088,774	1,094,172
Other Assets	124,613	141,613
Total assets	\$ 4,978,474	\$ 4,931,724
Liabilities and Net Position		
Current Liabilities		
Note payable	\$ 50,000	\$ -
Current portion of long-term debt	192,590	138,454
Accounts payable		
Trade	234,002	361,294
Accrued expenses		
Salaries and wages	341,463	324,194
Deposits from residents	14,611	13,068
Total current liabilities	832,666	837,010
Long-Term Debt, Less Current Maturities	242,260	195,735
Total liabilities	1,074,926	1,032,745
Net Position		
Net investment in capital assets	653,924	759,983
Unrestricted	3,249,624	3,138,996
Total net position	3,903,548	3,898,979
Total liabilities and net position	\$ 4,978,474	\$ 4,931,724

Coal County Healthcare Authority
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$769,274 in 2019 and \$869,210 in 2018	\$ 10,192,298	\$ 9,074,999
Other revenue	562,752	558,884
Total operating revenues	10,755,050	9,633,883
Operating Expenses		
Nursing services	4,076,465	4,151,406
Other professional services	3,859,657	3,024,716
General services	1,036,852	997,639
Administrative services	2,657,103	2,617,351
Depreciation and amortization	371,152	402,090
Total operating expenses	12,001,229	11,193,202
Operating Loss	(1,246,179)	(1,559,319)
Nonoperating Revenues (Expenses)		
Sales tax	1,255,485	863,529
Investment income	23,802	13,740
Interest expense	(28,539)	(16,890)
Total nonoperating revenues (expenses)	1,250,748	860,379
Revenues in Excess of (Less Than) Expenses Before Capital Contributions	4,569	(698,940)
Capital Contributions	-	85,000
Change in Net Position	4,569	(613,940)
Net Position, Beginning of Year	3,898,979	4,512,919
Net Position, End of Year	\$ 3,903,548	\$ 3,898,979

Coal County Healthcare Authority

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 9,779,801	\$ 8,855,451
Other receipts and payments, net	555,934	562,377
Payments to suppliers and contractors	(5,654,517)	(5,219,987)
Payments to and behalf of employees	<u>(6,163,296)</u>	<u>(5,490,638)</u>
Net Cash used for Operating Activities	<u>(1,482,078)</u>	<u>(1,292,797)</u>
Noncapital Financing Activities		
Proceeds from sales tax	1,321,546	729,626
Proceeds from note payable	200,000	-
Repayment of note payable	(150,000)	-
Interest paid on note payable	<u>(4,943)</u>	<u>-</u>
Net Cash from Noncapital Financing Activities	<u>1,366,603</u>	<u>729,626</u>
Capital and Capital Related Financing Activities		
Purchase of property and equipment	(54,481)	(25,279)
Principal payments on capital lease obligations	(193,612)	(167,793)
Interest paid on debt obligations	<u>(23,596)</u>	<u>(16,890)</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(271,689)</u>	<u>(209,962)</u>
Investing Activities		
Investment income	<u>23,802</u>	<u>13,740</u>
Net Cash from Investing Activities	<u>23,802</u>	<u>13,740</u>
Net Change in Cash and Cash Equivalents	(363,362)	(759,393)
Cash and Cash Equivalents, Beginning of Year	<u>666,447</u>	<u>1,425,840</u>
Cash and Cash Equivalents, End of Year	<u>\$ 303,085</u>	<u>\$ 666,447</u>

Coal County Healthcare Authority
 Statements of Cash Flows
 Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to Net Cash used for		
Operating Activities		
Operating loss	\$ (1,246,179)	\$ (1,559,319)
Adjustments to reconcile operating loss		
to net cash used for operating activities		
Provision for bad debt	769,274	869,210
Depreciation and amortization	371,152	402,090
Changes in assets and liabilities		
Patient and resident receivables	(1,205,976)	(1,181,862)
Other receivables	(6,818)	3,493
Supplies	(35,139)	(116,650)
Prepaid expenses	(42,574)	-
Accounts payable	(127,292)	125,241
Accrued expenses	17,269	71,896
Deposits from residents	1,543	68
Estimated third-party settlements	22,662	93,036
Net Cash used for Operating Activities	\$ (1,482,078)	\$ (1,292,797)
Supplemental Disclosure of Noncash Capital and Capital Related		
Financing Activities		
Equipment financed through capital lease arrangements	\$ 294,273	\$ 47,452
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 of 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 Holding Company, Hospital and Nursing Home 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 Holding Company, Hospital and Nursing Home is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Holding Company, Hospital and Nursing Home 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, 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 statements 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, 2019 and 2018.

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, 2019 and 2018.

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 and resident service revenue for the years ended June 30, 2019 and 2018 decreased approximately \$482,000 and \$80,000 for changes in estimates related to allowances of collectability on patient and resident 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 10% of its financial support from county appropriations related to sales tax in 2019 and 8% in 2018. 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 statements 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 \$22,000 and \$46,000 for the years ended June 30, 2019 and 2018. Total direct and indirect costs related to these foregone charges were approximately \$14,000 and \$30,000 at June 30, 2019 and 2018, 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.

New Accounting Pronouncement

The Authority adopted the GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The new statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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, 2019 and 2018:

	2019	2018
Medicare	65%	63%
Medicaid	15%	17%
Blue Cross and other commercial payors	10%	10%
Self pay and other	10%	10%
	<u>100%</u>	<u>100%</u>

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 consisted of cash deposits in banks as of June 30, 2019 and 2018.

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, 2019 and 2018 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, 2019 and 2018.

Note 4 - Capital Assets

Capital asset additions, transfers, retirements, and balances for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Transfers and Retirements	Balance June 30, 2019
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	\$ 2,772,263	\$ -	\$ -	\$ 2,772,263
Equipment	3,471,002	54,481	(112,000)	3,413,483
Equipment under capital obligations	<u>1,051,360</u>	<u>294,273</u>	<u>-</u>	<u>1,345,633</u>
Total capital assets being depreciated	<u>7,294,625</u>	<u>\$ 348,754</u>	<u>\$ (112,000)</u>	<u>7,531,379</u>
Less accumulated depreciation for				
Building and building improvements	(2,596,414)	\$ (27,383)	\$ -	(2,623,797)
Equipment	(2,988,261)	(149,399)	112,000	(3,025,660)
Equipment under capital obligations	<u>(739,841)</u>	<u>(177,370)</u>	<u>-</u>	<u>(917,211)</u>
Total accumulated depreciation	<u>(6,324,516)</u>	<u>\$ (354,152)</u>	<u>\$ 112,000</u>	<u>(6,566,668)</u>
Net capital assets being depreciated	<u>\$ 970,109</u>			<u>\$ 964,711</u>
Capital assets, net	<u>\$ 1,094,172</u>			<u>\$ 1,088,774</u>

Coal County Healthcare Authority
Notes to Financial Statements
June 30, 2019 and 2018

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	<u>\$ 124,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,063</u>
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	<u>1,003,908</u>	<u>47,452</u>	<u>-</u>	<u>1,051,360</u>
Total capital assets being depreciated	<u>7,221,894</u>	<u>\$ 72,731</u>	<u>\$ -</u>	<u>7,294,625</u>
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	<u>(565,375)</u>	<u>(174,466)</u>	<u>-</u>	<u>(739,841)</u>
Total accumulated depreciation	<u>(5,930,926)</u>	<u>\$ (393,590)</u>	<u>\$ -</u>	<u>(6,324,516)</u>
Net capital assets being depreciated	<u>\$ 1,290,968</u>			<u>\$ 970,109</u>
Capital assets, net	<u>\$ 1,415,031</u>			<u>\$ 1,094,172</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, 2019 and 2018 for all operating leases was approximately \$354,000 and \$108,000. The capitalized leased assets consist of:

	2019	2018
Major Movable Equipment	\$ 1,345,633	\$ 1,051,360
Less Accumulated Amortization	<u>(917,211)</u>	<u>(739,841)</u>
	<u>\$ 428,422</u>	<u>\$ 311,519</u>

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

Year Ending June 30,	Operating Leases
2020	\$ 111,958
2021	106,836
2022	45,736
2023	3,200
Total minimum lease payments	\$ 267,730

For future maturities of capital leases, see Note 6.

Note 6 - Note Payable and Long-Term Debt

A schedule of changes in the Authority's note payable for 2019 and 2018 is as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Note payable (line of credit)	\$ -	\$ 200,000	\$ (150,000)	\$ 50,000

Direct borrowing - line of credit up to \$250,000, 5.5% interest rate, with a maturity date of November 1, 2019, collateralized by all inventory and accounts receivable. If an event of default under the line of credit occurs, the lender may, at its option, declare the entire unpaid balance immediately due and payable. Subsequent to year end, the maturity date was extended to July 1, 2020.

A schedule of changes in the Authority's long-term debt for 2019 and 2018 is as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Capital lease obligations	\$ 334,189	\$ 294,273	\$ (193,612)	\$ 434,850	\$ 192,590
	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Capital lease obligations	\$ 454,530	\$ 47,452	\$ (167,793)	\$ 334,189	\$ 138,454

Capital leases with various interest rates from 3.33% to 8.01%, collateralized by associated equipment, with varying maturity dates from September 2018 through April 2024.

Long-term debt maturities are as follows:

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 192,590	\$ 17,240	\$ 209,830
2021	112,167	10,257	122,424
2022	63,593	5,776	69,369
2023	47,587	2,607	50,194
2024	18,913	492	19,405
Total	<u>\$ 434,850</u>	<u>\$ 36,372</u>	<u>\$ 471,222</u>

Note 7 - 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 generated 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 equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

The Authority records receipts to net patient and resident service revenue. The Authority received \$37,286 and \$54,345 during the years ended June 30, 2019 and 2018.

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

Note 8 - Concentration of Credit Risk

The Authority grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables for third party payors, patients and residents at June 30, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Medicare	54%	56%
Medicaid	9%	8%
Commercial and other third-party payors	19%	11%
Patients and residents	18%	25%
	<u>100%</u>	<u>100%</u>

Note 9 - Contingencies

Risk Management

The Authority is exposed to various risks of loss from torts; theft, 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 10 - 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, 2019:

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

Statement of net position as of June 30, 2019:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Eliminations	Total
Assets					
Current assets	\$ 4,664,084	\$ 526,944	\$ -	\$ (1,425,941)	\$ 3,765,087
Capital assets, net	803,637	88,504	196,633	-	1,088,774
Other noncurrent assets	91,280	33,333	-	-	124,613
Total assets	\$ 5,559,001	\$ 648,781	\$ 196,633	\$ (1,425,941)	\$ 4,978,474
Liabilities					
Current liabilities	\$ 628,545	\$ 1,630,062	\$ -	\$ (1,425,941)	\$ 832,666
Long-term debt, less current maturities	217,093	25,167	-	-	242,260
Total liabilities	845,638	1,655,229	-	(1,425,941)	1,074,926
Net Position					
Net investment in capital assets	403,134	54,157	196,633	-	653,924
Unrestricted	4,310,229	(1,060,605)	-	-	3,249,624
Total net position (deficit)	4,713,363	(1,006,448)	196,633	-	3,903,548
Total liabilities and net position	\$ 5,559,001	\$ 648,781	\$ 196,633	\$ (1,425,941)	\$ 4,978,474

Coal County Healthcare Authority
Notes to Financial Statements
June 30, 2019 and 2018

Operating results and changes in net position for the year ended June 30, 2019:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Operating Revenues				
Net patient service revenue	\$ 6,931,364	\$ 3,260,934	\$ -	\$ 10,192,298
Other revenue	47,986	514,766	-	562,752
Total operating revenues	<u>6,979,350</u>	<u>3,775,700</u>	<u>-</u>	<u>10,755,050</u>
Operating Expenses				
Depreciation and amortization	308,982	44,078	18,092	371,152
Other operating expenses	7,447,460	4,182,617	-	11,630,077
Total operating expenses	<u>7,756,442</u>	<u>4,226,695</u>	<u>18,092</u>	<u>12,001,229</u>
Operating Loss	(777,092)	(450,995)	(18,092)	(1,246,179)
Nonoperating Revenues	<u>1,231,194</u>	<u>19,554</u>	<u>-</u>	<u>1,250,748</u>
Revenues in Excess of (Less Than) Expenses	454,102	(431,441)	(18,092)	4,569
Net Position, Beginning of Year	<u>4,259,261</u>	<u>(575,007)</u>	<u>214,725</u>	<u>3,898,979</u>
Net Position, End of Year	<u>\$ 4,713,363</u>	<u>\$ (1,006,448)</u>	<u>\$ 196,633</u>	<u>\$ 3,903,548</u>

Cash flows for the year ended June 30, 2019:

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Total
Net cash used for operating activities	\$ (1,468,829)	\$ (13,249)	\$ -	\$ (1,482,078)
Net cash from noncapital financing activities	1,366,603	-	-	1,366,603
Net cash used for capital and related financing activities	(245,788)	(25,901)	-	(271,689)
Net cash from investing activities	976	22,826	-	23,802
Net change in cash and cash equivalents	(347,038)	(16,324)	-	(363,362)
Cash and cash equivalents, beginning of year	<u>636,690</u>	<u>29,757</u>	<u>-</u>	<u>666,447</u>
Cash and cash equivalents, end of year	<u>\$ 289,652</u>	<u>\$ 13,433</u>	<u>\$ -</u>	<u>\$ 303,085</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, 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
Assets					
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
Total assets	\$ 5,014,809	\$ 614,570	\$ 214,725	\$ (912,380)	\$ 4,931,724
Liabilities					
Current liabilities	\$ 594,160	\$ 1,155,230	\$ -	\$ (912,380)	\$ 837,010
Long-term debt, less current maturities	161,388	34,347	-	-	195,735
Total liabilities	755,548	1,189,577	-	(912,380)	1,032,745
Net Position					
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 (deficit)	4,259,261	(575,007)	214,725	-	3,898,979
Total liabilities and net position	\$ 5,014,809	\$ 614,570	\$ 214,725	\$ (912,380)	\$ 4,931,724

Coal County Healthcare Authority
Notes to Financial Statements
June 30, 2019 and 2018

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

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	1,136	12,604	-	13,740
Net change in cash and cash equivalents	(619,933)	(139,460)	-	(759,393)
Cash and cash equivalents, beginning of year	1,256,623	169,217	-	1,425,840
Cash and cash equivalents, end of year	<u>\$ 636,690</u>	<u>\$ 29,757</u>	<u>\$ -</u>	<u>\$ 666,447</u>

Note 11 - Subsequent Events

The Authority has evaluated subsequent events through January 27, 2020 the date which the financial statements are available to be issued.

In October 2019, the Authority entered into an agreement for equipment that requires a minimum purchase of supplies. The Authority is to purchase \$250,068 of supplies each of the next 6 years.



Supplementary Information
June 30, 2019 and 2018

Coal County Healthcare Authority



Independent Auditor's Report on Supplementary Information

Board of Trustees
Coal County Healthcare Authority
Coalgate, Oklahoma

We have audited the financial statements of Coal County Healthcare Authority as of and for the years ended June 30, 2019 and 2018, and our report thereon dated January 27, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1 through 2. Our audits were conducted 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 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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

Oklahoma City, Oklahoma
January 27, 2020

Coal County Healthcare Authority
Combining Schedule – Statement of Net Position Information
June 30, 2019

	<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	\$ 289,652	\$ 13,433	\$ -	\$ -	\$ 303,085
Receivables					
Patient and resident, net of estimated uncollectibles	2,004,359	501,954	-	-	2,506,313
Estimated third-party payor settlements	369,088	-	-	-	369,088
Sales tax	151,723	-	-	-	151,723
Other	70,117	-	-	-	70,117
Supplies	310,630	11,557	-	-	322,187
Due from related party	1,425,941	-	-	(1,425,941)	-
Prepaid expenses	42,574	-	-	-	42,574
	<u>4,664,084</u>	<u>526,944</u>	<u>-</u>	<u>(1,425,941)</u>	<u>3,765,087</u>
Total current assets					
Capital Assets, Net	803,637	88,504	196,633	-	1,088,774
Other Assets	91,280	33,333	-	-	124,613
	<u>91,280</u>	<u>33,333</u>	<u>-</u>	<u>-</u>	<u>124,613</u>
Total assets	<u>\$ 5,559,001</u>	<u>\$ 648,781</u>	<u>\$ 196,633</u>	<u>\$ (1,425,941)</u>	<u>\$ 4,978,474</u>

Coal County Healthcare Authority
Combining Schedule – Statement of Net Position Information
June 30, 2019

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
Liabilities and Net Position					
Current Liabilities					
Notes payable	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Current portion of long-term debt	183,410	9,180	-	-	192,590
Accounts payable	134,721	99,281	-	-	234,002
Accrued liabilities	260,414	81,049	-	-	341,463
Deposits from residents	-	14,611	-	-	14,611
Due to related party	-	1,425,941	-	(1,425,941)	-
Total current liabilities	628,545	1,630,062	-	(1,425,941)	832,666
Long-Term Debt, Net	217,093	25,167	-	-	242,260
Total liabilities	845,638	1,655,229	-	(1,425,941)	1,074,926
Net Position					
Net investment in capital assets	403,134	54,157	196,633	-	653,924
Unrestricted	4,310,229	(1,060,605)	-	-	3,249,624
Total net position (deficit)	4,713,363	(1,006,448)	196,633	-	3,903,548
Total liabilities and net position	\$ 5,559,001	\$ 648,781	\$ 196,633	\$ (1,425,941)	\$ 4,978,474

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

	Coal County General Hospital	Coal County Extended Care	Coal County Holding Company	Reclassifications or Eliminations	Combined Total
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>

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>
Liabilities and Net Position					
Current Liabilities					
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
Net Position					
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 (deficit)	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>

Coal County Healthcare Authority

Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2019

	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	\$ 6,931,364	\$ 3,260,934	\$ -	\$ -	\$ 10,192,298
Other revenues	47,986	514,766	-	-	562,752
Total operating revenues	<u>6,979,350</u>	<u>3,775,700</u>	<u>-</u>	<u>-</u>	<u>10,755,050</u>
Operating Expenses					
Nursing services	1,815,568	2,260,897	-	-	4,076,465
Other professional services	3,585,248	274,409	-	-	3,859,657
General services	400,766	636,086	-	-	1,036,852
Administrative services	1,645,878	1,011,225	-	-	2,657,103
Depreciation and amortization	308,982	44,078	18,092	-	371,152
Total operating expenses	<u>7,756,442</u>	<u>4,226,695</u>	<u>18,092</u>	<u>-</u>	<u>12,001,229</u>
Operating Loss	<u>(777,092)</u>	<u>(450,995)</u>	<u>(18,092)</u>	<u>-</u>	<u>(1,246,179)</u>
Nonoperating Revenues (Expenses)					
Sales tax	1,255,485	-	-	-	1,255,485
Investment income	976	22,826	-	-	23,802
Interest expense	(25,267)	(3,272)	-	-	(28,539)
Total nonoperating revenues (expenses)	<u>1,231,194</u>	<u>19,554</u>	<u>-</u>	<u>-</u>	<u>1,250,748</u>
Revenues in Excess of (Less Than) Expenses	454,102	(431,441)	(18,092)	-	4,569
Net Position (Deficit), Beginning of Year	<u>4,259,261</u>	<u>(575,007)</u>	<u>214,725</u>	<u>-</u>	<u>3,898,979</u>
Net Position (Deficit), End of Year	<u>\$ 4,713,363</u>	<u>\$ (1,006,448)</u>	<u>\$ 196,633</u>	<u>\$ -</u>	<u>\$ 3,903,548</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>
Changes in Net Position	(120,881)	(471,396)	(21,663)	-	(613,940)
Net Position (Deficit), 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 (Deficit), 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
Schedules of Net Patient and Resident Service Revenue
Years Ended June 30, 2019 and 2018

	2019	2018
Daily Patient Services		
Medical and surgical	\$ 4,077,996	\$ 4,346,867
Swing bed	180,900	164,400
	4,258,896	4,511,267
Other Nursing Services		
Central service supplies	89,525	129,659
Emergency services	1,158,664	710,591
	1,248,189	840,250
Other Professional Services		
Ultrasound	353,735	312,425
Intravenous therapy	91,254	113,146
Respiratory therapy	10,631	7,249
Laboratory	5,378,774	5,239,180
Pharmacy	658,176	651,266
Physical therapy	470,734	444,369
Radiology	1,960,655	2,139,935
Clinics	2,199,721	1,195,746
Behavioral health	1,363,330	1,345,877
	12,487,010	11,449,193
Charity Care	(22,079)	(46,205)
Total patient and resident service revenue	17,972,016	16,754,505
Reductions from Revenue		
Contractual adjustments	(7,010,444)	(6,810,296)
Bad debt expense	(769,274)	(869,210)
	(7,779,718)	(7,679,506)
Total reductions from revenue	(7,779,718)	(7,679,506)
Net Patient and Resident Service Revenue	\$ 10,192,298	\$ 9,074,999

Coal County Healthcare Authority
Schedules of Other Operating Revenue
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Other Revenue		
Focus on Excellence	\$ 443,840	\$ 425,794
Miscellaneous	<u>118,912</u>	<u>133,090</u>
Total Other Revenue	<u>\$ 562,752</u>	<u>\$ 558,884</u>

Coal County Healthcare Authority
Schedules of Operating Expenses
Year Ended June 30, 2019

	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
Nursing Services			
Medical and surgical	\$ 2,117,680	\$ 1,329,000	\$ 3,446,680
Emergency services	95,603	534,182	629,785
	<u>\$ 2,213,283</u>	<u>\$ 1,863,182</u>	<u>\$ 4,076,465</u>
Other Professional Services			
Ultrasound	\$ 21,575	\$ 27,808	\$ 49,383
Intravenous therapy	-	5,699	5,699
Respiratory therapy	5,973	14,281	20,254
Laboratory	349,080	1,204,336	1,553,416
Pharmacy	47,626	153,026	200,652
Physical therapy	49,876	137,432	187,308
Radiology	149,732	42,988	192,720
Clinics	857,823	485,642	1,343,465
Behavioral health	182,269	124,491	306,760
	<u>\$ 1,663,954</u>	<u>\$ 2,195,703</u>	<u>\$ 3,859,657</u>
General Services			
Dietary	\$ 241,191	\$ 253,916	\$ 495,107
Housekeeping	216,498	56,802	273,300
Medical records	128,109	2,584	130,693
Plant operations	107,955	29,797	137,752
	<u>\$ 693,753</u>	<u>\$ 343,099</u>	<u>\$ 1,036,852</u>
Administrative Services			
Administrative and office	\$ 576,811	\$ 1,047,528	\$ 1,624,339
Employee benefits	1,032,764	-	1,032,764
	<u>\$ 1,609,575</u>	<u>\$ 1,047,528</u>	<u>\$ 2,657,103</u>
Depreciation and Amortization	<u>\$ -</u>	<u>\$ 371,152</u>	<u>\$ 371,152</u>

Coal County Healthcare Authority
Schedules of Operating Expenses
Year Ended June 30, 2018

	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
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>



**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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 27, 2020.

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 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: 2019-A to 2019-D.

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: 2019-E.

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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.



Oklahoma City, Oklahoma
January 27, 2020

Material Weakness

2019-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.

2019-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.

2019-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: The Authority did not estimate the current year cost report settlement at year end.

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.

2019-D Clinic Revenue

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

Condition: During the year, the Authority recorded clinic revenue estimated based on monthly statistics instead of actual services provided.

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

Cause: Clinic revenue was not recorded in a timely manner.

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

2019-E 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.