

The Comanche County Hospital Authority

Independent Auditor's Reports and Financial Statements

June 30, 2015 and 2014



The Comanche County Hospital Authority
June 30, 2015 and 2014

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
Balance Sheets	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Required Supplementary Information	
Schedule of Changes in the Authority’s Net Pension Liability and Related Ratios	52
Schedule of the Authority’s Contributions	53
Schedules of Funding Progress	54
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Schedule of Findings and Responses	57

Independent Auditor's Report

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

Report on the Financial Statements

We have audited the accompanying balance sheets of The Comanche County Hospital Authority (the Authority), as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Comanche County Hospital Authority as of June 30, 2015 and 2014, 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.

Emphasis of Matter

As discussed in *Note 16* to the financial statements, in 2015, the Authority changed its method of accounting for its defined benefit pension plan as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
December 22, 2015

The Comanche County Hospital Authority

Management's Discussion and Analysis

Years Ended June 30, 2015 and 2014

Introduction

This management's discussion and analysis of the financial performance of The Comanche County Hospital Authority (the Authority) provides an overview of the Authority's financial activities for the years ended June 30, 2015 and 2014. It should be read in conjunction with the accompanying financial statements of the Authority. Unless otherwise indicated, dollar amounts are in thousands.

As described in *Note 1* to the financial statements, the Authority's financial statements include the operations of Comanche County Memorial Hospital (CCMH), McMahon-Tomlinson Nursing Center (MTNC), Lawton Community Health Center (LCHC) and Tillman County – City of Frederick Hospital Authority (Tillman).

As discussed in *Note 16*, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. As part of the implementation of GASB Statement No. 68, management determined it was not practical to restate 2014 and prior years. Therefore, as a result of implementing GASB Statement No. 68, a liability associated with the unfunded status of the defined benefit pension plan was recorded; deferred outflows, as required by GASB Statement No. 68, were recorded; and the beginning net position of fiscal year 2015 was restated.

Financial Highlights

- The Authority's net position decreased in 2015 by \$12,415 or 13% and increased in 2014 by \$1,413 or 2%. In 2015, the decrease in net position includes an adjustment applicable to prior years of \$11,843 in addition to the decrease in net position of \$572.
- Capital assets, net increased by \$5,486 or 5% in 2015 and increased by \$9,760 or 10% in 2014.
- Long-term debt increased in 2015 by \$14,542 or 18% in 2015 and decreased by \$3,081 or 4% in 2014.
- The Authority reported operating income of \$1,891 and \$4,441 in 2015 and 2014, respectively.
- During 2015 and 2014, the Hospital acquired capital assets of \$18,045 and \$21,400, respectively.

Using This Annual Report

The Authority's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, 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 Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any health care organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The balance sheet 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 deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that 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 it. The Authority's total net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Authority.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of 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 and cash equivalents during the reporting period.

The Authority's Net Position

The Authority's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the balance sheet. The Authority's net position decreased by \$12,415 or 13% in 2015 over 2014 and increased by \$1,413 or 2% in 2014 over 2013 as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2015	2014	2013
Assets and Deferred Outflows of Resources			
Cash, cash equivalents and unrestricted investments	\$ 39,325	\$ 42,009	\$ 46,161
Patient accounts receivable, net	40,781	40,074	39,094
Other current assets	17,195	16,018	16,941
Capital assets, net	116,131	110,645	100,885
Other noncurrent assets	25,639	20,315	26,846
Deferred outflows of resources	<u>3,230</u>	<u>1,441</u>	<u>1,622</u>
 Total assets and deferred outflows of resources	 <u>\$ 242,301</u>	 <u>\$ 230,502</u>	 <u>\$ 231,549</u>
Liabilities			
Long-term debt	\$ 95,179	\$ 80,637	\$ 83,718
Other liabilities	<u>65,568</u>	<u>56,047</u>	<u>55,426</u>
 Total liabilities	 <u>160,747</u>	 <u>136,684</u>	 <u>139,144</u>
 Deferred Inflows of Resources	 <u>151</u>	 <u>-</u>	 <u>-</u>
Net Position			
Net investment in capital assets	46,754	38,128	33,909
Restricted – expendable	5,435	3,603	4,194
Unrestricted	<u>29,214</u>	<u>52,087</u>	<u>54,302</u>
 Total net position	 <u>81,403</u>	 <u>93,818</u>	 <u>92,405</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 242,301</u>	 <u>\$ 230,502</u>	 <u>\$ 231,549</u>

Noncurrent cash and investments increased in 2015 compared to 2014 by \$10,579 or 37% due primarily to the additional funds borrowed as part of the Series 2015 Revenue Bonds issued in April 2015. In 2015, the Authority spent approximately \$13,350 on an emergency room construction project and the construction of a new facility for MTNC. The emergency room project is expected to be completed in 2016 and the new facility for MTNC was completed in fiscal year 2015. Other assets and accrued expenses decreased in 2015 by \$4,173 and \$2,626, respectively. These decreases are primarily related to the payment of certain deferred compensation amounts during 2015 that reduced other assets and accrued expenses. Additionally, the net pension liability increased by \$13,075 due to the implementation of GASB Statement No. 68.

In 2014, other noncurrent assets decreased by \$6,531 or 24% due to the reduction in trustee-held funds for capital asset acquisitions. Capital assets, net increased by \$9,760 or 10% in 2014 related to ongoing construction projects.

Operating Results and Changes in the Authority's Net Position

In 2015, the Authority's net position decreased by \$12,415 or 13% as shown in Table 2. This compares to an increase in net position in 2014 of \$1,413 or 2% and an increase in 2013 of \$7,386 or 9%.

Table 2: Operating Results and Changes in Net Position

	2015	2014	2013
Operating Revenues			
Net patient service revenue	\$ 245,511	\$ 237,427	\$ 236,771
Other operating revenues	<u>10,224</u>	<u>7,653</u>	<u>6,757</u>
Total operating revenues	<u>255,735</u>	<u>245,080</u>	<u>243,528</u>
Operating Expenses			
Salaries and wages and employee benefits	125,895	119,133	115,109
Purchased services and professional fees	56,728	51,699	46,347
Medical supplies and drugs	34,248	33,698	35,654
Depreciation and amortization	12,742	11,712	12,218
Other operating expenses	<u>24,231</u>	<u>24,397</u>	<u>22,487</u>
Total operating expenses	<u>253,844</u>	<u>240,639</u>	<u>231,815</u>
Operating Income	<u>1,891</u>	<u>4,441</u>	<u>11,713</u>
Nonoperating Revenues (Expenses)			
City appropriations – unrestricted	232	268	234
Noncapital grants and gifts	672	315	529
Loss on investment in equity investee	284	(405)	(1,057)
Investment income	438	398	276
Interest expense and other financing costs	<u>(4,089)</u>	<u>(3,604)</u>	<u>(4,386)</u>
Total nonoperating revenues (expenses)	<u>(2,463)</u>	<u>(3,028)</u>	<u>(4,404)</u>
Capital Grants and Gifts	<u>-</u>	<u>-</u>	<u>77</u>
Change in Net Position	(572)	1,413	7,386
Adjustment applicable to prior years (see Note 16)	<u>(11,843)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ (12,415)</u>	<u>\$ 1,413</u>	<u>\$ 7,386</u>

Operating Income

The first component of the overall change in the Authority's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The operating income reported by the Authority is generally consistent with the Authority's operating history.

The operating income for 2015 decreased by \$2,550 compared to the 2014 amount. The primary components of the decrease in operating income are:

- An increase in net patient service revenue of \$8,084 or 3%
- An increase in other operating revenue of \$2,571 or 34%

- An increase in operating expenses of \$13,205 or 5%, the primary components of which are:
 - An increase in salaries and wages of \$5,167 or 5%
 - An increase in purchased services and professional fees of \$5,029 or 10%

Net patient service revenue was slightly higher in 2015 than in 2014 due primarily to increases in outpatient visits of 10% and an increase in inpatient days of 2% compared to 2014.

Other operating revenues increased in 2015 by \$2,571 or 34% primarily due to a new grant of \$894 to support the start of a residency program and the recognition of \$991 of revenue related to the retail portion of the 340B Drug Pricing Program.

Employee salaries and wages increased in 2015 in connection with the Authority's annual retention and recruitment efforts and additional salaries related to employed physicians.

The increase in purchased services and professional fees in 2015 was primarily caused by an increase in contract labor for nursing and other patient care personnel.

The operating income for 2014 decreased by \$7,272 compared to the 2013 amount. The primary components of the decrease in operating income are:

- An increase in net patient service revenue of \$656 or 0%
- An increase in other operating revenue of \$896 or 13%
- An increase in operating expenses of \$8,824 or 4%, the primary components of which are:
 - An increase in purchased services and professional fees of \$5,352 or 12%
 - A decrease in medical supplies and drugs of \$1,956 or 5%

Net patient service revenue was slightly higher in 2014 than in 2013 despite a decrease of 8% in inpatient days. The increase in outpatient volume offset the decrease in inpatient volume during the year ended June 30, 2014.

Other operating revenues increased in 2014 by \$896 or 13% primarily due to recognition of revenue under the Medicare and Medicaid Electronic Health Records Incentive Programs. The Authority recognized approximately \$3,210 of revenue related to these programs in 2014 compared to approximately \$1,714 in 2013.

The increase in purchased services and professional fees was primarily caused by an increase in services related to oncology and cancer care in 2014 while the decrease in medical supplies and drugs was largely attributable to a reduction in pharmaceutical costs in 2014.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and interest expense. The Authority's total debt exceeds cash and investments, and interest rates on debt exceed interest rates earned. As a result, interest expense exceeds investment income.

The Authority's Cash Flows

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

Capital Asset and Debt Administration

Capital Assets

At the end of 2015, the Authority had \$116,131 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2015, the Authority acquired capital assets costing \$18,045.

At the end of 2014, the Authority had \$110,645 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2014, the Authority acquired capital assets costing \$21,400.

Debt

At June 30, 2015 and 2014, the Authority had \$102,045 and \$88,463, respectively, in revenue bonds, notes payable and capital lease obligations outstanding as detailed in *Note 8* to the accompanying financial statements. During 2015, the Authority issued \$52,606 of revenue bonds and notes payable, which provided new funds for the Authority's construction projects, and retired the Series 2005 Revenue Bonds. During 2014, the Authority issued \$4,745 of notes payable to bank, which provided new funds for CCMH's construction projects. There have been no changes in the Authority's debt ratings in the past three years.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's patients, suppliers, taxpayers 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 Comanche County Hospital Authority's Administration by telephoning 580.355.8620.

The Comanche County Hospital Authority

Balance Sheets

June 30, 2015 and 2014

Assets and Deferred Outflows of Resources

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 15,355,161	\$ 18,843,520
Short-term investments	-	278,121
Restricted cash and investments – current	5,322,643	5,405,272
Patient accounts receivable, net of allowance; 2015 – \$46,576,000, 2014 – \$39,765,000	40,780,876	40,073,955
Accrued investment income	71,760	77,461
Due from related parties	815,999	901,739
Supplies	6,294,047	5,410,868
Prepaid expenses and other	4,690,863	4,222,202
	<u>73,331,349</u>	<u>75,213,138</u>
Noncurrent Cash and Investments		
Held by trustee for debt service	11,265,928	9,879,245
Held in escrow for capital acquisitions	9,640,710	1,612,494
	<u>20,906,638</u>	<u>11,491,739</u>
Less amount required to meet current obligations	5,322,643	5,405,272
	<u>15,583,995</u>	<u>6,086,467</u>
Other long-term investments	23,969,658	22,887,847
	<u>39,553,653</u>	<u>28,974,314</u>
Capital Assets, Net	<u>116,130,921</u>	<u>110,644,914</u>
Other Assets		
Prepaid insurance on debt financing	-	347,540
Investment in joint venture	2,473,389	2,189,877
Goodwill	5,849,149	6,339,986
Other	1,732,738	5,351,358
	<u>10,055,276</u>	<u>14,228,761</u>
Deferred Outflows of Resources	<u>3,229,804</u>	<u>1,440,672</u>
Total assets and deferred outflows of resources	<u>\$ 242,301,003</u>	<u>\$ 230,501,799</u>

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Current maturities of long-term debt	\$ 6,865,654	\$ 7,826,079
Accounts payable	20,588,546	20,247,791
Accrued expenses	13,227,199	15,852,744
Accrued interest payable	1,584,958	2,005,675
Due to related parties	2,552,262	2,393,299
Estimated amounts due to third-party payers	<u>2,652,272</u>	<u>2,689,233</u>
Total current liabilities	47,470,891	51,014,821
Long-Term Debt	95,179,361	80,637,404
Net Pension Liability	15,853,085	2,777,825
Other Long-Term Obligations	<u>2,243,783</u>	<u>2,254,208</u>
Total liabilities	<u>160,747,120</u>	<u>136,684,258</u>
Deferred Inflows of Resources	<u>150,970</u>	<u>-</u>
Net Position		
Net investment in capital assets	46,754,036	38,126,510
Restricted – expendable for debt service	5,434,855	3,604,112
Unrestricted	<u>29,214,022</u>	<u>52,086,919</u>
Total net position	<u>81,402,913</u>	<u>93,817,541</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 242,301,003</u>	<u>\$ 230,501,799</u>

The Comanche County Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2015 – \$49,532,239, 2014 – \$44,335,520	\$ 245,510,913	\$ 237,426,810
Grant revenue	1,060,800	780,533
Other	9,163,046	6,872,603
Total operating revenues	255,734,759	245,079,946
Operating Expenses		
Salaries and wages	106,332,910	101,165,855
Employee benefits	19,561,617	17,967,232
Purchased services and professional fees	56,728,017	51,698,788
Medical supplies and drugs	34,248,332	33,697,772
Supplies and other	22,928,157	22,799,816
Insurance	1,301,665	1,598,086
Depreciation and amortization	12,742,074	11,711,994
Total operating expenses	253,842,772	240,639,543
Operating Income	1,891,987	4,440,403
Nonoperating Revenues (Expenses)		
City appropriations – unrestricted	232,199	267,990
Noncapital grants and gifts	671,912	315,225
Loss on investment in equity investee	283,512	(404,618)
Investment income	437,766	398,429
Interest expense and other financing costs	(4,088,928)	(3,604,064)
Total nonoperating revenues (expenses)	(2,463,539)	(3,027,038)
Excess (Deficiency) of Revenues over Expenses and Change in Net Position	(571,552)	1,413,365
Net Position, Beginning of Year, as Previously Reported	93,817,541	92,404,176
Adjustment applicable to prior years (<i>Note 16</i>)	(11,843,076)	-
Net Position, Beginning of Year, as Restated	81,974,465	92,404,176
Net Position, End of Year	\$ 81,402,913	\$ 93,817,541

The Comanche County Hospital Authority
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Receipts from and on behalf of patients	\$ 245,827,831	\$ 239,238,590
Payments to suppliers and contractors	(111,351,123)	(115,369,122)
Payments to or on behalf of employees	(128,882,687)	(117,965,263)
Other receipts and payments, net	9,238,229	6,947,786
Net cash provided by operating activities	14,832,250	12,851,991
Noncapital Financing Activities		
Noncapital grants and gifts	671,912	315,225
City appropriations received	232,199	267,990
Net cash provided by noncapital financing activities	904,111	583,215
Capital and Related Financing Activities		
Capital grants and gifts	-	327,000
Principal paid on long-term debt	(38,240,020)	(6,149,870)
Interest paid on long-term debt	(5,314,076)	(4,191,178)
Proceeds from issuance of long-term debt	52,606,485	4,745,485
Purchase of capital assets	(18,321,746)	(19,233,193)
Payment of call premium and debt issuance costs	(240,000)	(270,000)
Proceeds from sale of capital assets	59,759	41,400
Net cash used in capital and related financing activities	(9,449,598)	(24,730,356)
Investing Activities		
Interest on investments	468,765	449,154
Purchase of investments	(40,786,262)	(10,357,485)
Proceeds from disposition of investments	30,459,746	19,643,782
Contributions to equity investee	-	(388,591)
Net cash provided by (used in) investing activities	(9,857,751)	9,346,860
Decrease in Cash and Cash Equivalents	(3,570,988)	(1,948,290)
Cash and Cash Equivalents, Beginning of Year	24,248,792	26,197,082
Cash and Cash Equivalents, End of Year	\$ 20,677,804	\$ 24,248,792

	<u>2015</u>	<u>2014</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 15,355,161	\$ 18,843,520
Cash and cash equivalents in noncurrent cash and investments Held by trustee for debt service	<u>5,322,643</u>	<u>5,405,272</u>
	<u><u>\$ 20,677,804</u></u>	<u><u>\$ 24,248,792</u></u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income	\$ 1,891,987	\$ 4,440,403
Depreciation and amortization	12,742,074	11,711,994
Loss on disposal of capital assets	328,298	-
Provision for uncollectible accounts	49,532,239	44,335,520
Changes in assets and liabilities		
Patient and other accounts receivable, net	(50,239,160)	(45,315,913)
Supplies and prepaid expenses	(1,323,909)	(78,133)
Estimated amounts due to third-party payers	(36,961)	2,011,640
Accounts payable and accrued expenses	3,336,599	(3,370,048)
Change in pension liability	(362,615)	-
Due to/from related parties	(912,642)	(339,771)
Other assets and liabilities	<u>(123,660)</u>	<u>(543,701)</u>
Net cash provided by operating activities	<u><u>\$ 14,832,250</u></u>	<u><u>\$ 12,851,991</u></u>
Supplemental Disclosures of Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 1,221,419	\$ 2,001,872
(Gain) loss on investment in equity investee	\$ (283,512)	\$ 404,618

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Comanche County Hospital Authority (the Authority), a public trust, was created on January 13, 1971, by the Board of Commissioners of Comanche County, Oklahoma (the County), to operate, control and manage all matters concerning Comanche County Memorial Hospital (CCMH), McMahon-Tomlinson Nursing Center (MTNC) and the trust estate. The Board of Commissioners of Comanche County, Oklahoma, appoints the members of the Authority's Board of Trustees.

On January 13, 1971, an indenture of lease was entered into between the County (the Lessor) and the trustees of the Authority (the Lessee) leasing to the Authority all hospital and nursing center sites, equipment and facilities owned and subsequently constructed or acquired by the Lessor or under its custody, management or control. The initial term of the lease was for a period of 30 years and so long thereafter as any indebtedness incurred by the Lessee and secured by the revenues of any of the leased property remains unpaid. In addition, the lease agreement provided the Authority certain renewal options. Consideration for the lease is the installation and construction of improvements to the leased property for the purpose of aiding the Lessor in the performance of its public functions. In July 2000, the Authority exercised an option to renew the lease for an additional 30-year period ending in January 2031.

CCMH primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in southwestern Oklahoma. CCMH also operates a rehabilitation unit, a skilled nursing unit, a psychiatric unit, outpatient clinics, a home health agency and an ambulance service in the same geographic area.

MTNC earns revenues by providing intermediate nursing care services in a 135-bed nursing facility in Lawton, Oklahoma.

Effective September 1, 1993, the Authority entered into a sublease agreement with the Tillman County – City of Frederick Hospital Authority (Tillman) to take over full use, operations, administration and management of Tillman's hospital and nursing center facilities. The term of the sublease is for a period of 20 years with a renewal option for an additional 20 years. The Authority's consideration to Tillman under the sublease is the Authority's guarantee of Tillman's Series 1994B Bonds through December 2003 and Tillman's revenue refunding note subsequent to that date (see *Note 8*). Effective July 31, 2013, the Authority entered into a sublease agreement with Tillman whereby the Authority was granted continued use of the hospital and the nursing center facilities and full administrative, management and operational control of the hospital and the nursing center through August 31, 2023, with three successive five-year renewal options. Subsequent to year-end, the Authority and Tillman amended the sublease agreement to allow the Authority to take certain actions related to the operations of Tillman, including terminating the sublease agreement based on certain financial requirements beginning December 31, 2015. Tillman primarily earns revenues by operating a 37-bed short-term hospital, a 30-bed nursing center, a home health agency and a physician clinic in Frederick, Oklahoma.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

On September 1, 2007, the Authority was awarded a grant by the Health Resources and Services Administration of the U.S. Department of Health and Human Services to partially fund the operations and activities of the Lawton Community Health Center (LCHC), a federally qualified health center (FQHC). LCHC is an operating division of the Authority and operates the FQHC under a co-applicant agreement with Lawton Community Health Center, Inc., a not-for-profit organization.

Under accounting principles generally accepted in the United States of America, the accompanying financial statements of the Authority are comprised of CCMH, MTNC and LCHC, which are considered operating divisions of the Authority; and Tillman, which is a blended component unit of the Authority. All transactions and accounts between CCMH, MTNC, LCHC and Tillman have been eliminated in the accompanying financial statements.

CCMH, MTNC and Tillman each issue separate financial statements reporting financial position, revenues, expenses and changes in net position and cash flows. These financial statements are publicly available and may be obtained by writing the Authority's administrative office at 3401 West Gore Boulevard, Lawton, Oklahoma 73505, or by calling 580.355.8620.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, deferred inflows and outflows of resources and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, city appropriations and federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents excluding investments in noncurrent cash and investments. At June 30, 2015 and 2014, cash equivalents consisted of money market mutual funds with brokers.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Risk Management

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

The Authority is self-insured for a portion of its exposure to risk of loss from unemployment, employee health, dental, short-term disability and workers' compensation claims. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Tillman obtains workers' compensation insurance through membership in the Oklahoma Health Care Association (the Association), which was formed for the benefit of qualified Oklahoma hospitals and related entities who wish to pool their resources pursuant to the provisions of Section 398 of Title 85 of the Oklahoma Statutes and Rule 3 of the Administrator of Oklahoma Workers' Compensation Court. Each member of the Association has jointly and severally agreed to assume, pay and discharge any liability under the *Oklahoma Workers' Compensation Act* of any and all members of the Association.

Investments and Investment Income

All investments are carried at fair value, which is determined using quoted market prices. Investment income includes dividend and interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Authority bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as uncollectible accounts based on individual credit evaluation and specific circumstances of the account.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Land improvements	5–20 years
Buildings and improvements	10–50 years
Equipment	3–20 years

The Authority capitalizes interest costs as a component of construction in progress based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

	<u>2015</u>	<u>2014</u>
Interest costs capitalized	\$ 514,819	\$ 682,078
Interest costs and other financing costs charged to expense	<u>4,088,928</u>	<u>3,604,064</u>
Total interest incurred	<u>\$ 4,603,747</u>	<u>\$ 4,286,142</u>

Prepaid Insurance on Debt Financing

Prepaid insurance on debt financing represents insurance costs incurred in connection with the issuance of long-term debt. Such costs are being amortized using the interest method over the term of the respective debt. The balance in this account was written off when the related bonds were defeased in 2015 (see *Note 8*).

Compensated Absences

Authority policies permit most employees to accumulate paid days off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Defined Benefit Pension Plan

The Authority has a single-employer defined benefit pension plan, the Comanche County Hospital Authority Employee Retirement Plan (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows and Outflows of Resources

The Authority is required to account for certain transactions that do not qualify for treatment as either assets or liabilities as deferred inflows or outflows of resources. Deferred inflows and outflows of resources are defined as an acquisition (deferred inflows) or a consumption (deferred outflows) of net position by the Authority that is applicable to a future reporting period.

At June 30, 2015 and 2014, the deferred inflows of resources and deferred outflows of resources reported by the Authority on the accompanying balance sheets consisted of the following items:

	2015	2014
Deferred inflows related to pensions	\$ 150,970	\$ -
Loss on defeasance of long-term debt, net	\$ 1,484,035	\$ 1,440,672
Deferred outflows related to pensions	1,745,769	-
Total deferred outflows	\$ 3,229,804	\$ 1,440,672

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Net Patient Service Revenue

The Authority has agreements with third-party payers that provide for payments at amounts different from their established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Authority provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, the amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Authority is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Foundation

The Authority is the beneficiary of Comanche County Memorial Hospital Foundation, Inc. (the Foundation), a separate legal entity with its own board of trustees. The Foundation has legal title to all of the Foundation's assets. The Foundation is not a component unit of the Authority and, thus, is not reflected in the accompanying financial statements.

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is retroactive to July 1, 2011, and is currently scheduled to sunset on December 31, 2017. The SHOPP is designed to assess Oklahoma hospitals a supplemental hospital offset fee which is placed in pools after receiving federal matching funds. The total fees and matching funds are then allocated to hospitals as directed by legislation.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

The SHOPP revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses and changes in net position. The amounts noted in the table below for the years ended June 30, 2015 and 2014, represent the approximate amounts received and paid by the Authority. The annual amounts to be received and paid by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds. Based on the current information available, the annual net benefit to the Authority over the term of the SHOPP is not expected to be materially different than the net amounts received in 2015 and 2014.

	<u>2015</u>	<u>2014</u>
SHOPP funds received	\$ 10,933,000	\$ 10,471,000
SHOPP assessment fees paid	<u>5,319,000</u>	<u>5,075,000</u>
Net SHOPP benefit	<u>\$ 5,614,000</u>	<u>\$ 5,396,000</u>

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals and physicians that demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for three years based upon a statutory formula, as determined by the state, which is approved by CMS. Payments under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Authority recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Tillman attested to meeting the first-year requirements under the Medicare program during the year ended June 30, 2013. Tillman attested to meeting the second-year requirements under the Medicare program during the year ended June 30, 2015. CCMH attested to meeting the first-year requirements under the Medicare and Medicaid programs during the year ended June 30, 2014. CCMH attested to meeting the second-year requirements under the Medicare and Medicaid programs during the year ended June 30, 2015. The revenue related to these programs for the years ended June 30, 2015 and 2014, which is included in other revenue on the accompanying statements of revenues, expenses and changes in net position, is summarized below:

	2015	2014
Medicare Hospital Program Revenue	\$ 2,380,000	\$ 1,797,000
Medicaid Hospital Program Revenue	643,000	745,000
Medicare and Medicaid Physician Program Revenue	279,000	668,000
	\$ 3,302,000	\$ 3,210,000

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue and Grant Revenue

Net Patient Service Revenue

CCMH, MTNC, LCHC and Tillman have agreements with third-party payers that provide for payments to them at amounts different from their established rates. Those payment arrangements include:

- **Medicare** – Substantially all inpatient acute care services and outpatient services rendered to Medicare program beneficiaries, including physician services, are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. CCMH, MTNC, LCHC and Tillman are reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare administrative contractor.
- **Medicaid** – CCMH, MTNC, LCHC and Tillman have also been paid for services rendered to patients covered by the state Medicaid program. CCMH and Tillman are reimbursed on a prospective basis at prospectively determined rates per discharge and fee schedules with no retroactive adjustment. MTNC is reimbursed for services to residents who are Medicaid beneficiaries at prospectively determined per diem rates with no retroactive adjustment. LCHC is reimbursed for services provided to Medicaid beneficiaries at prospectively determined rates with no retroactive adjustment.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Approximately 68% and 63% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2015 and 2014, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Authority has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Grant Revenue

The Authority is the recipient of a Community Health Center (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery in Lawton, Oklahoma, and surrounding areas. Terms of the grant generally provide for funding of LCHC's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2015 and 2014, the Authority received approximately \$1,061,000 and \$781,000, respectively, in CHC grant funds.

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

At June 30, 2015 and 2014, none of the Authority's bank balances of approximately \$15,719,000 and \$20,227,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized. At June 30, 2015, the Authority's bank balances in excess of FDIC limits were primarily collateralized by irrevocable letters of credit from the Federal Home Loan Bank.

Investments

The Authority has investment policies related to its investment portfolios. These policies do not apply to investments held under trustee agreements related to bond indentures.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

At June 30, 2015 and 2014, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More than 10
June 30, 2015					
Mortgage- and asset-backed securities of U.S. agencies	\$ 23,678,558	\$ 8,061,433	\$ 15,617,125	\$ -	\$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Equity securities	188,256	188,256	-	-	-
Money market mutual funds	<u>22,295,200</u>	<u>22,295,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
	48,363,304	<u>\$ 30,544,889</u>	<u>\$ 15,617,125</u>	<u>\$ -</u>	<u>\$ 2,201,290</u>
Accrued investment income	<u>71,760</u>				
	<u>\$ 48,435,064</u>				
June 30, 2014					
Mortgage- and asset-backed securities of U.S. agencies	\$ 22,872,486	\$ 4,558,099	\$ 18,314,387	\$ -	\$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Equity securities	190,686	190,686	-	-	-
Money market mutual funds	<u>13,722,325</u>	<u>13,722,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
	38,986,787	<u>\$ 18,471,110</u>	<u>\$ 18,314,387</u>	<u>\$ -</u>	<u>\$ 2,201,290</u>
Accrued investment income	<u>77,461</u>				
	<u>\$ 39,064,248</u>				

- Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority’s investment policy limits the sale of securities on the open market prior to maturity and directly invests in securities maturing more than five years from the date of purchase. The Authority has also adopted weighted-average limitations not to exceed three years. The repurchase agreement is held by trustee under a bond indenture and matures in July 2031 and has a fixed interest rate of 5.75%. The money market mutual funds and equity securities are presented as investments with maturities of less than one year because they are redeemable in full immediately.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

- Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority’s policy to limit its investments to securities with a Standard & Poor’s (S & P) credit rating of AAA or Moody’s credit rating of Aaa. U.S. Treasury obligations, U.S. government agency and instrumentality obligations, repurchase agreements, certificates of deposit and money market mutual funds are acceptable security types under the Authority’s investment policy. At June 30, 2015 and 2014, the Authority’s investments that were not direct obligations of or explicitly guaranteed by the U.S. government were rated as follows:

Type	2015		2014	
	Moody’s	S & P	Moody’s	S & P
Mortgage- and asset-backed securities of U.S. agencies	Not rated to Aaa	AA+	Not rated to Aaa	AA+
Repurchase agreement	A to Aaa	A to AAA	A to Aaa	A to AAA
Money market mutual funds	Aaa	AAA	Aaa	AAA

- Custodial Credit Risk** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2015 and 2014, the Authority’s investments in mortgage- and asset-backed securities of U.S. agencies and all of the underlying securities for the Authority’s investment in the repurchase agreement are held by the counterparties in other than the Authority’s name. The Authority’s investment policy does not address how securities underlying repurchase agreements are to be held.
- Concentration of Credit Risk** – The Authority limits the types of securities purchased to U.S. Treasury obligations, U.S. government agency and instrumentality obligations, repurchase agreements, guaranteed investment contracts, bank certificates of deposit fully insured by the FDIC and money market mutual funds. The Authority’s investment policies do not place a limit on the amount that may be invested in any one issuer.

At June 30, 2015, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal Home Loan Mortgage Corporation	\$ 9,944,280	20.5%
Federal National Mortgage Association	\$ 8,371,323	17.3%
Federal Home Loan Bank	\$ 2,739,385	5.7%
Federal Farm Credit Bank	\$ 2,623,572	5.4%

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

At June 30, 2014, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal Home Loan Mortgage Corporation	\$ 9,617,471	24.6%
Federal National Mortgage Association	\$ 7,410,531	19.0%
Federal Farm Credit Bank	\$ 2,973,441	7.6%
Federal Home Loan Bank	\$ 2,871,045	7.4%

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the accompanying balance sheets as follows:

	2015	2014
Carrying value		
Deposits	\$ 11,868,153	\$ 14,514,440
Investments	48,435,064	39,064,248
	\$ 60,303,217	\$ 53,578,688
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 15,355,161	\$ 18,843,520
Short-term investments	-	278,121
Restricted cash and investments – current	5,322,643	5,405,272
Noncurrent cash and investments	39,553,653	28,974,314
Accrued investment income	71,760	77,461
	\$ 60,303,217	\$ 53,578,688

Investment Income

Investment income for the years ended June 30, 2015 and 2014, consisted of:

	2015	2014
Interest and dividend income	\$ 463,064	\$ 433,920
Net decrease in fair value of investments	(25,298)	(35,491)
	\$ 437,766	\$ 398,429

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Note 4: Patient Accounts Receivable

The Authority grants credit without collateral to its patients, most of whom are residents of southwestern Oklahoma and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2015 and 2014, consisted of:

	2015	2014
Medicare	\$ 12,886,821	\$ 15,632,656
Medicaid	3,322,600	4,809,825
Other third-party payers	18,766,766	18,382,415
Patients	52,380,689	41,014,059
	87,356,876	79,838,955
Less allowance for uncollectible accounts	46,576,000	39,765,000
	\$ 40,780,876	\$ 40,073,955

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2015 and 2014, was:

	2015				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 3,695,084	\$ 289,710	\$ -	\$ -	\$ 3,984,794
Land improvements	8,539,298	654	-	598,861	9,138,813
Buildings and improvements	123,610,611	464,478	-	17,481,271	141,556,360
Equipment	135,615,553	3,933,797	(2,181,321)	3,889,126	141,257,155
Construction in progress	20,582,482	13,356,253	-	(21,969,258)	11,969,477
	292,043,028	18,044,892	(2,181,321)	-	307,906,599
Less accumulated depreciation					
Land improvements	6,130,019	410,629	-	-	6,540,648
Buildings and improvements	75,737,748	4,045,007	-	-	79,782,755
Equipment	99,530,347	7,715,192	(1,793,264)	-	105,452,275
	181,398,114	12,170,828	(1,793,264)	-	191,775,678
Capital assets, net	\$ 110,644,914	\$ 5,874,064	\$ (388,057)	\$ -	\$ 116,130,921

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

	2014				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 3,695,084	\$ -	\$ -	\$ -	\$ 3,695,084
Land improvements	8,265,859	3,500	-	269,939	8,539,298
Buildings and improvements	122,207,644	306,381	-	1,096,586	123,610,611
Equipment	129,126,180	3,136,731	(87,889)	3,440,531	135,615,553
Construction in progress	7,436,205	17,953,333	-	(4,807,056)	20,582,482
	270,730,972	21,399,945	(87,889)	-	292,043,028
Less accumulated depreciation					
Land improvements	5,801,327	328,692	-	-	6,130,019
Buildings and improvements	72,241,753	3,495,995	-	-	75,737,748
Equipment	91,803,051	7,773,785	(46,489)	-	99,530,347
	169,846,131	11,598,472	(46,489)	-	181,398,114
Capital assets, net	\$ 100,884,841	\$ 9,801,473	\$ (41,400)	\$ -	\$ 110,644,914

Note 6: Medical Malpractice Claims

The Authority purchases medical malpractice insurance for hospital, physician and nursing facility services under a claims-made policy on a fixed premium basis. Because the Authority is a political subdivision of the County, management believes the limit of liability for any individual tort claim would be limited to \$125,000 whether covered by insurance or not.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable costs of such incidents. In 2015 and 2014, the Authority accrued approximately \$350,000 based on its claims experience for these claims. These liabilities are included in accrued expenses on the accompanying balance sheets. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Self-Insured Claims

The Authority sponsors short-term disability and health and dental care plans for its employees and a workers' compensation plan for the employees of CCMH, MTNC and LCHC. These plans are self-insured to the extent of the deductible amounts under the excess risk insurance policies which have been obtained. These self-insured amounts are currently as follows:

- Workers' compensation – first \$250,000 per accident
- Health and dental care – first \$250,000 per person per year

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

A provision is accrued for self-insured workers' compensation, short-term disability and health and dental care claim costs, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Authority's estimates will change by a material amount in the near term.

Activity in the Authority's accrued liability for self-insured plans, which is included in accrued expenses on the accompanying balance sheets, during the years ended June 30, 2015 and 2014, is summarized as follows:

	Employee Health and Dental Benefits	Short-Term Disability	Workers' Compensation
2015			
Balance, beginning of year	\$ 1,246,214	\$ 37,659	\$ 1,413,881
Current year claims and changes in estimates	8,936,726	419,697	896,479
Claim payments, net of reinsurance	(9,037,289)	(127,242)	(1,126,774)
Balance, end of year	\$ 1,145,651	\$ 330,114	\$ 1,183,586
2014			
Balance, beginning of year	\$ 1,090,313	\$ 43,550	\$ 1,705,959
Current year claims and changes in estimates	8,359,878	21,246	685,072
Claim payments, net of reinsurance	(8,203,977)	(27,137)	(977,150)
Balance, end of year	\$ 1,246,214	\$ 37,659	\$ 1,413,881

In June 2014 and 2015, the Oklahoma Workers' Compensation Court (OWCC) required the Authority to post collateral for self-insured claims in the form of separate \$1,150,000 letters of credit with a bank in the event the Authority was unable to pay its claims. As of the date of the Independent Auditor's Report, no amounts have been drawn on these letters of credit.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Note 8: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30, 2015 and 2014:

	2015				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2005 Revenue Bonds	\$ 33,518,465	\$ -	\$ (33,518,465)	\$ -	\$ -
Series 2012A Revenue Bonds	37,856,329	-	(989,640)	36,866,689	1,025,699
Series 2012B Revenue Bonds	9,830,000	-	-	9,830,000	-
Series 2015 Revenue Bonds	-	45,328,693	(92,550)	45,236,143	3,480,694
Note payable to bank (A)	490,972	-	(275,222)	215,750	215,750
Notes payable to bank (B)	4,745,485	7,105,596	(2,520,468)	9,330,613	1,688,422
Note payable to third party	-	172,196	(27,787)	144,409	33,678
Capital lease obligations	2,022,231	-	(1,600,820)	421,411	421,411
Total long-term debt	<u>88,463,482</u>	<u>52,606,485</u>	<u>(39,024,952)</u>	<u>102,045,015</u>	<u>6,865,654</u>
Other long-term liabilities					
Estimated self-insurance costs	1,413,881	896,479	(1,126,774)	1,183,586	733,586
Deferred compensation plans	1,564,208	238,321	(8,746)	1,793,783	-
Total other long-term liabilities	<u>2,978,089</u>	<u>1,134,800</u>	<u>(1,135,520)</u>	<u>2,977,369</u>	<u>733,586</u>
Total long-term obligations	<u>\$ 91,441,571</u>	<u>\$ 53,741,285</u>	<u>\$ (40,160,472)</u>	<u>\$ 105,022,384</u>	<u>\$ 7,599,240</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

	2014				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2005 Revenue Bonds	\$ 33,630,050	\$ -	\$ (111,585)	\$ 33,518,465	\$ 2,706,585
Series 2004 Revenue Bonds	2,445,000	-	(2,445,000)	-	-
Series 2012A Revenue Bonds	38,779,939	-	(923,610)	37,856,329	993,405
Series 2012B Revenue Bonds	9,830,000	-	-	9,830,000	-
Revenue Refunding Note	140,000	-	(140,000)	-	-
Note payable to bank (A)	752,624	-	(261,652)	490,972	275,268
Notes payable to bank (B)	-	4,745,485	-	4,745,485	2,250,000
Capital lease obligations	4,555,450	-	(2,533,219)	2,022,231	1,600,821
	<u>90,133,063</u>	<u>4,745,485</u>	<u>(6,415,066)</u>	<u>88,463,482</u>	<u>7,826,079</u>
Total long-term debt					
Other long-term liabilities					
Estimated self-insurance costs	1,705,959	685,072	(977,150)	1,413,881	723,881
Deferred compensation plans	1,218,970	345,238	-	1,564,208	-
	<u>2,924,929</u>	<u>1,030,310</u>	<u>(977,150)</u>	<u>2,978,089</u>	<u>723,881</u>
Total other long-term liabilities					
Total long-term obligations	<u>\$ 93,057,992</u>	<u>\$ 5,775,795</u>	<u>\$ (7,392,216)</u>	<u>\$ 91,441,571</u>	<u>\$ 8,549,960</u>

Revenue Bonds Payable

The revenue bonds payable consist of the following:

- Series 2005 Hospital Revenue Refunding Bonds (Series 2005 Revenue Bonds), in the original amount of \$32,970,000 dated November 1, 2005, which bear interest at 4.375% to 5.25%, payable semiannually beginning July 1, 2006. Principal is payable in annual installments beginning July 1, 2014, and continuing through July 1, 2023. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2016, at a price of par plus accrued interest to the date of redemption. The bonds were secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. Payments of principal and interest are also secured by an insurance policy issued by a commercial insurer. In April 2015, the Series 2005 Revenue Bonds were paid off using a portion of the proceeds provided by the Series 2015 Hospital Revenue Refunding Bonds (see below). At June 30, 2014, the unamortized premium related to the Series 2005 Revenue Bonds was \$548,465.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

- Series 2004 Hospital Revenue Refunding Bonds (Series 2004 Revenue Bonds), in the original amount of \$18,335,000 dated December 8, 2004, which included interest at 3.50% to 5.00%, payable semiannually beginning July 1, 2005. Principal was payable in annual installments through July 1, 2013. The Authority was required to make monthly deposits to the debt service fund held by the trustee. The bonds could not have been redeemed prior to maturity other than extraordinary optional redemption. The bonds were secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. Payments of principal and interest were also secured by an insurance policy issued by a commercial insurer. During the year ended June 30, 2014, the Series 2004 Revenue Bonds were paid in full.

- Series 2012A Hospital Revenue Refunding Bonds (Series 2012A Revenue Bonds), in the original amount of \$36,790,000 dated December 14, 2012, which bear interest at 3.00% to 5.00%, payable semiannually. Principal is payable in annual installments through July 2042. The Authority is required to make monthly deposits to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2022, at a redemption price of 100%. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. The principal of these bonds was split between CCMH and MTNC. The allocation of the principal amounts and respective maturity dates related to CCMH and MTNC are as follows:

	Principal Amount	Maturity Date
Comanche County Memorial Hospital	\$ 24,765,000	July 2032
McMahon-Tomlinson Nursing Center	12,025,000	July 2042
	\$ 36,790,000	

When the Series 2012A Revenue Bonds were issued, the bonds were sold at a premium of approximately \$2,162,000. At June 30, 2015 and 2014, the outstanding balance of the Series 2012A Revenue Bonds was as follows:

	2015	2014
Principal amount	\$ 35,180,000	\$ 36,020,000
Plus unamortized premium	1,686,689	1,836,329
Net amount outstanding	\$ 36,866,689	\$ 37,856,329

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

- Series 2012B Hospital Revenue Refunding Bonds (Series 2012B Revenue Bonds), in the original amount of \$9,830,000 dated December 14, 2012, which bear interest at 3.43% to 5.90%, payable semiannually. Principal is payable in annual installments through July 2027 and was used to refund the remaining portion of the note payable to bank. The Authority is required to make monthly deposits to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2022, at a redemption price of 100%. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement.
- Series 2015 Hospital Revenue Refunding Bonds (Series 2015 Revenue Bonds), in the original amount of \$41,575,000 dated April 7, 2015, which bear interest at 3.13% to 5.00%, payable semiannually. Principal is payable in annual installments through July 2029 and was used to refund the Series 2005 Revenue Bonds and a portion of one of the notes payable to bank. The Authority is required to make monthly deposits to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2025, at a redemption price of 100%. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement.

When the Series 2015 Revenue Bonds were issued, the bonds were sold at a premium of approximately \$3,754,000. At June 30, 2015, the outstanding balance of the Series 2015 Revenue Bonds was as follows:

Principal amount	\$ 41,575,000
Plus unamortized premium	<u>3,661,143</u>
Net amount outstanding	<u>\$ 45,236,143</u>

The revenue bonds' indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the accompanying balance sheets. The indentures also require the Authority to comply with certain restrictive covenants, including minimum insurance coverage, maintaining a debt service coverage ratio of at least 1.10 to 1.00, restrictions on incurrence of additional debt and maintaining a minimum days cash on hand.

In April 2015, the Authority issued the Series 2015 Revenue Bonds in the aggregate amount of \$41,575,000 which, along with other available funds, were used to refund the outstanding Series 2005 Revenue Bonds, reduce the outstanding balance on a note payable to bank and borrow new funds for construction projects. Aggregate cash flows on the refunded Series 2005 Revenue Bonds and the note payable to bank from the refunding date through maturity of the Series 2015 Revenue Bonds total approximately \$38,911,000 while aggregate cash flows for the Series 2015 Revenue Bonds total approximately \$40,588,000 resulting in a negative net cash flow differential for the refunding transaction of approximately \$1,677,000. The economic loss (generally defined as the present value of the net cash flow discounted at the effective interest rate of the new debt) equals approximately \$1,256,000. The 2015 advance refunding transaction resulted in an accounting loss of approximately \$222,000, which is recorded as a deferred outflow of resources on the accompanying balance sheets.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

In prior years, the Authority had advance refunded three different revenue bond issues and each of these advance refunding transactions resulted in extinguishment of debt since the Authority was legally released from its obligation on those bond series.

The advance refundings mentioned above, including the current year refunding transaction, resulted in an accounting loss on the extinguishment of the long-term debt. These losses on refunding are shown as a deferred outflow of resources on the accompanying balance sheets and are being amortized using the straight-line method over the life of the respective new bond issues.

The debt service requirements as of June 30, 2015, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2016	\$ 8,104,672	\$ 4,506,393	\$ 3,598,279
2017	8,845,146	4,885,695	3,959,451
2018	8,812,485	5,048,099	3,764,386
2019	8,747,245	5,198,542	3,548,703
2020	8,707,272	5,391,665	3,315,607
2021–2025	39,653,241	27,001,818	12,651,423
2026–2030	32,269,688	25,687,129	6,582,559
2031–2035	11,011,486	9,249,261	1,762,225
2036–2040	3,658,208	2,907,214	750,994
2041–2043	2,190,572	2,057,016	133,556
	<u>\$ 132,000,015</u>	<u>\$ 91,932,832</u>	<u>\$ 40,067,183</u>

Revenue Refunding Note

Tillman County – City of Frederick Hospital Authority Hospital Revenue Refunding Note, Series 2003, in the original amount of \$2,295,000 dated December 1, 2003, which included interest at 4.4%, payable semiannually. Principal was payable semiannually through September 2013.

Tillman was required to make monthly deposits to debt service funds held by the trustee. The note was secured by and was repaid from certain revenues of Tillman and revenues generated by a 1% sales tax levied by the City of Frederick, Oklahoma, and appropriated to Tillman (see *Note 12*).

The Authority had guaranteed approximately 40% of the note's principal and interest payments. This note was paid in full during 2014.

Note Payable to Bank (A)

The first note payable to bank is in the original amount of \$2,300,000 and is due March 10, 2016, with principal and interest at 5% payable monthly. The note is secured by collateral assignments of leases.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

The debt service requirement for the note payable to bank as of June 30, 2015, is as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2016	\$ 220,331	\$ 215,750	\$ 4,581

Notes Payable to Bank (B)

The notes payable to bank were entered into by the Authority in October 2013 in the original amount of \$27,000,000 with \$18,000,000 being a variable rate note and \$9,000,000 being a fixed rate note. The proceeds of the notes will be used by CCMH and MTNC. The variable rate note is due on January 1, 2024, with semiannual principal payments of \$1,500,000 beginning on July 1, 2014, plus interest at 3.875% through January 1, 2019, then the Treasury Rate plus 2.5% with a floor of 3.5%. The fixed rate note is due on January 1, 2018, with semiannual principal payments of \$1,125,000 beginning on July 1, 2014, plus interest at 3.875%.

In April 2015, the Authority amended the notes payable to bank. The amended debt combines the two separate notes into one note carrying a fixed interest rate of 3.25% annually. The amended note matures on April 7, 2025, and allows for draws on the note up to \$16,835,000 through December 31, 2015. Payments of principal and interest are due monthly in the amount of \$164,892.

At June 30, 2015, the Authority had borrowed approximately \$11,851,000 of the amended note.

The debt service requirements for the note payable to bank as of June 30, 2015, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2016	\$ 1,968,855	\$ 1,688,422	\$ 280,433
2017	1,971,461	1,748,190	223,271
2018	1,971,220	1,806,511	164,709
2019	1,970,970	1,866,778	104,192
2020	1,970,712	1,928,970	41,742
2021	292,137	291,742	395
	<u>\$ 10,145,355</u>	<u>\$ 9,330,613</u>	<u>\$ 814,742</u>

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

Note Payable to Third Party

The note payable to third party is due July 1, 2019, including principal and interest of 1.8% annually payable monthly. The note is secured by a mortgage of real property. The debt service requirements for the Authority's note payable to third party as of June 30, 2015, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2016	\$ 36,000	\$ 33,678	\$ 2,322
2017	36,000	34,289	1,711
2018	36,000	34,911	1,089
2019	36,000	35,545	455
2020	6,000	5,986	14
	<u>\$ 150,000</u>	<u>\$ 144,409</u>	<u>\$ 5,591</u>

Capital Lease Obligations

The Authority is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at June 30, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Capital assets, cost	\$ 4,000,000	\$ 11,102,715
Less accumulated depreciation	<u>3,597,650</u>	<u>6,165,911</u>
	<u>\$ 402,350</u>	<u>\$ 4,936,804</u>

The following is a schedule by year of future minimum lease payments under the capital leases, including interest at a rate of 2.35% together with the present value of the future minimum lease payments as of June 30, 2015:

<u>Year Ending June 30,</u>	
2016	\$ 424,298
Less amount representing interest	<u>2,887</u>
Present value of future minimum lease payments	<u>\$ 421,411</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Note 9: Charity Care and Other Community Benefits

In support of its mission, the Authority voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue.

The costs of charity care provided under the Authority's charity care policy were approximately \$1,057,000 and \$2,528,000 for 2015 and 2014, respectively. The cost of charity care is estimated by applying the ratio of costs to charges from the most recent Medicare cost report.

In addition to uncompensated charges, the Authority also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, community educational services, ambulance services, rural clinics and various support groups.

Note 10: Pension Plan

Plan Description

The Authority maintains the Comanche County Hospital Authority Employee Retirement Plan (the Plan), a single-employer defined benefit pension plan administered by the Plan's board of trustees who are appointed by the Authority's governing body. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority's governing body. CCMH, MTNC and LCHC participate in the Plan, and substantially all employees are covered. There is no publicly available financial report for the Plan.

Benefits Provided

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated as 0.6% of the participant's Final Average Compensation, as defined by the Plan, multiplied by the participant's years of credited service at retirement or termination. Death benefits are equal to the vested benefits and allow for qualifying surviving spouses to receive 50% of the amount the participant would have received. The normal retirement age under the Plan is 65, with certain defined exceptions.

Change in Method of Accounting

In 2015, the Authority changed its method of accounting for its participation in the Authority's defined benefit pension plan as a result of implementing GASB Statement No. 68 (see *Note 16*).

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

In connection with the implementation of GASB Statement No. 68, the Authority changed its measurement date from July 1 to June 30. As a result of this change in the measurement date, management has determined it is not practical to restate the accompanying financial statements for fiscal year 2014 or prior for the effects of all the provisions of GASB Statement No. 68. As such, the Authority is reporting the impact of the change in accounting as a restatement of the beginning net position for the year ended June 30, 2015. As it is not practical for the Authority to restate all years presented for the impact of GASB Statement No. 68, the following footnote information is reporting for fiscal year 2015 under the provisions of GASB Statement No. 68 followed by the required disclosures for fiscal year 2014 and prior under the provisions of GASB Statement No. 27.

Defined Benefit Pension Plan Under GASB Statement No. 68

The employees covered by the Plan at June 30, 2015, are:

Inactive employees or beneficiaries currently receiving benefits	245
Inactive employees entitled to but not yet receiving benefits	243
Active employees	1,246
	1,734

Contributions

The Authority’s governing body has the authority to establish and amend the contribution requirements of the Authority and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, the Authority contributed \$2,425,000 to the Plan. Participants do not contribute to the Plan.

Net Pension Liability

The Authority’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increase	3.00% average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense and including inflation

Mortality rates were based on the 2015 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks – large cap	23.20%	8.80%
Domestic stocks – mid cap	6.70%	9.10%
Domestic stocks – small cap	4.40%	9.55%
International stocks	16.00%	9.20%
Real estate	4.60%	8.35%
Treasury inflation-protected securities	2.10%	4.10%
Core bond	32.20%	4.25%
High yield bonds	9.90%	6.30%
Cash and cash equivalents	0.90%	1.80%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7% for the year ended June 30, 2015. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Changes in the total pension liability, plan fiduciary net position and net pension liability for the year ended June 30, 2015, are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 55,873,453	\$ 41,252,552	\$ 14,620,901
Changes for the year			
Service cost	637,179	-	637,179
Interest	3,863,517	-	3,863,517
Differences between expected and actual experience	(196,171)	-	(196,171)
Contributions – employer	-	2,425,000	(2,425,000)
Net investment income	-	750,448	(750,448)
Benefit payments	(2,509,568)	(2,509,568)	-
Administrative expense	-	(44,173)	44,173
Change of assumptions	58,934	-	58,934
Net changes	1,853,891	621,707	1,232,184
Balance, end of year	\$ 57,727,344	\$ 41,874,259	\$ 15,853,085

The net pension liability of the Authority has been calculated using a discount rate of 7%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 23,051,136	\$ 15,853,085	\$ 9,878,012

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Authority recognized pension expense of \$2,127,415. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,700,414	\$ -
Change in assumptions	45,355	-
Difference between expected and actual experience	-	150,970
Total	\$ 1,745,769	\$ 150,970

Amounts reported as deferred outflows and deferred inflows of resources at June 30, 2015, related to pensions will be recognized in pension expense as follows:

2016	\$ 393,482
2017	393,482
2018	393,482
2019	414,353
Total	\$ 1,594,799

Defined Benefit Pension Plan Under GASB Statement No. 27

Funding Policy

The authority to establish and amend obligations of plan members and the authority to contribute to the Plan is set forth in the plan document and vested in the Authority's governing body. There are no required or permitted contributions by plan members. The Authority generally contributes an actuarially determined amount.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension cost and net pension obligation to the Plan for fiscal year 2014 was as follows:

Annual required contributions	\$ 2,193,942
Interest on net pension obligation	226,323
Adjustment to annual required contribution	<u>(433,684)</u>
Annual pension cost	1,986,581
Contributions made	<u>(2,441,939)</u>
Decrease in net pension obligation	(455,358)
Net pension obligation, beginning of year	<u>3,233,183</u>
 Net pension obligation, end of year	 <u><u>\$ 2,777,825</u></u>

The annual required contributions for 2014 were determined as part of an actuarial valuation on July 1, 2013, using the projected unit credit actuarial cost method. The actuarial assumptions included 7.0% investment rate of return (net of administrative expenses), projected salary increases of 3.0% per year and an inflation component. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at July 1, 2013, was 30 years for the retirement plan and 10 years for the supplemental plan.

Effective June 30, 2004, the Plan was amended to provide benefits payable on the earlier of the plan member's 65th birthday or the date the member's age plus years of service is at least 90. Members with at least 10 years of service at June 30, 2004, are required to have age plus years of service at 80 to receive benefits.

Trend Information

The Authority's annual pension cost, the percentage of annual pension cost contributed to the Plan and the net pension obligation for 2014 and the two preceding years were as follows:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 1,986,581	123%	\$ 2,777,825
June 30, 2013	\$ 1,851,033	134%	\$ 3,233,183
June 30, 2012	\$ 1,369,555	143%	\$ 3,870,365

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Funding Status and Funding Progress

The following is funded status information as of July 1, 2013, the most recent actuarial valuation date:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
\$ 36,502,454	\$ 47,591,193	\$ 11,088,739	76.7%	\$ 57,900,893	19.2%

The accompanying schedules of funding progress, presented as required supplementary information following the notes to financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Note 11: Postretirement Health Care Plan

Plan Description

The Authority's postretirement health care plan is a single-employer plan administered by the Authority's governing body. The authority to establish and amend benefit provisions is vested in the Authority's governing body.

The Authority provides health care coverage to certain eligible retirees. A retiree is eligible to continue to receive these benefits if they are also participants in the Authority's supplemental executive retirement plan until they reach the age of 65 or obtain other health care coverage. These benefits are provided without cost to the participants following their retirement.

In addition, participants in the Authority's health care plan who terminate employment are able to continue to participate in the health plan under certain conditions, provided they pay the full amount of premium, under the Authority's COBRA benefit. There is no publicly available financial report for the postretirement health care plan.

Funding Policy

The plan is a pay-as-you-go plan and, therefore, is not funded. The Authority funds the plan on a cash basis as benefits are paid. No assets have been segregated or restricted to provide plan benefits. During the years ended June 30, 2015 and 2014, the Authority contributed \$21,447 and \$37,324, respectively, for current premiums. Of the two plan participants at June 30, 2015, one is eligible to receive benefits.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	2015	2014
Normal cost	\$ (29,505)	\$ (30,028)
Amortization of UAAL	36,384	39,358
Annual required contribution	6,879	9,330
Interest on prior year net OPEB obligation	6,660	14,117
Adjustment to annual required contribution	16,648	15,911
Annual OPEB cost	30,187	39,358
Contributions made	(21,447)	(37,324)
Increase in net OPEB obligation	8,740	2,034
Net OPEB obligation, beginning of year	260,987	258,953
Net OPEB obligation, end of year	\$ 269,727	\$ 260,987

The ARCs for 2015 and 2014 were determined as part of actuarial valuations on July 1, 2014 and 2013, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions for 2015 included a 3.0% discount rate, down from a 6.0% discount rate used in previous years, and an annual health care cost trend rate of 5.0%. The UAAL is being amortized over 15 years. The remaining amortization period at July 1, 2014, was eight years. The net OPEB obligation is included in accrued liabilities on the accompanying financial statements at June 30, 2015 and 2014.

Trend Information

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 30,187	71%	\$ 269,727
2014	\$ 39,358	95%	\$ 260,987
2013	\$ 32,254	130%	\$ 258,953

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Funded Status and Funding Progress

The following is funded status information as of July 1, 2014, the most recent actuarial valuation date:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
\$ -	\$ 269,727	\$ 269,727	0.0%	\$ 964,822	28.0%

The accompanying schedules of funding progress, presented as required supplementary information following the notes to financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Note 12: City Appropriations

A 1% sales tax ordinance with no established expiration date was enacted March 1, 1980, by the City of Frederick, Oklahoma, originally to provide unrestricted revenue appropriations to be used by Tillman for the operations of the Tillman hospital facility. The City of Frederick executed a revised sales tax agreement effective December 1, 2003, to secure payment of the Revenue Refunding Note (see *Note 8*) with a pledge of the appropriations.

Note 13: Related-Party Information

Comanche County Memorial Hospital Foundation, Inc.

The Foundation, a not-for-profit corporation with a separate board of directors, was established in February 1993 to support the educational and charitable purposes of CCMH. CCMH provides administrative services and supplies to the Foundation. Included in due from related parties on the accompanying balance sheets at June 30, 2015 and 2014, are \$14,048 and \$12,174, respectively, owed by the Foundation as a result of these purchases and services.

Cancer Centers of Southwest Oklahoma, LLC

As discussed below, the Authority is a member of Cancer Centers of Southwest Oklahoma, LLC (CCSO). For the years ended June 30, 2015 and 2014, the Authority recorded revenue from CCSO in the amounts of approximately \$6,396,000 and \$5,711,000, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2015 and 2014, CCSO owed the Authority \$801,951 and \$889,565, respectively, which is included in due from related parties on the accompanying balance sheets.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

CCSO provides cancer treatment services to the Authority's patients. For the years ended June 30, 2015 and 2014, the Authority incurred approximately \$17,738,000 and \$15,240,000, respectively, of expense and owed CCSO \$2,251,341 and \$2,263,359 at June 30, 2015 and 2014, respectively, related to these services. These amounts are included in the accompanying balance sheets in due to related parties.

Note 14: Investment in Cancer Centers of Southwest Oklahoma, LLC

The Authority is an approximate 46% ownership member of CCSO. The Authority's investment in CCSO amounted to \$2,473,389 and \$2,189,877 at June 30, 2015 and 2014, respectively, and is included in other assets on the accompanying balance sheets. CCSO was formed to develop and operate three facilities specializing in providing cancer treatment services for the residents of southwest Oklahoma.

Financial position and results of operations summarized from CCSO's audited financial statements for the fiscal years ended June 30, 2015 and 2014, are shown below:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 11,041,374	\$ 9,356,075
Capital assets and other long-term assets, net	<u>21,432,687</u>	<u>23,442,654</u>
Total assets	32,474,061	32,798,729
Total liabilities	<u>27,062,809</u>	<u>28,007,582</u>
Net position	<u>\$ 5,411,252</u>	<u>\$ 4,791,147</u>
Operating revenues	<u>\$ 29,660,283</u>	<u>\$ 25,551,636</u>
Excess (deficiency) of revenues over expenses	<u>\$ 620,105</u>	<u>\$ (736,788)</u>

Complete financial statements of CCSO may be obtained by contacting the Authority's management at 580.355.8620.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2015 and 2014

Note 15: Contingencies

Litigation

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each potential claim. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 16: Change in Accounting Principle

In 2015, the Authority changed its method of accounting for its defined benefit pension plan as a result of implementing GASB Statement No. 68, which became effective for reporting periods beginning after June 15, 2014.

The impact of the change in accounting principle was to recognize the unfunded obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. These changes decreased net position of the Authority as of July 1, 2014, by \$11,843,076.

As management determined it was not practical to restate the accompanying financial statements for fiscal year 2014 or prior for the effects of all the provisions of GASB Statement No. 68 due to the change in measurement dates, there was no impact on the previously reported change in net position for the year ended June 30, 2014.

Note 17: Combining Component Unit Information

As discussed in *Note 1*, the Authority consists of the operations of CCMH, MTNC and LCHC, all of which are operating divisions of the Authority. Tillman is a component unit of the Authority. In the following combining tables, the Authority's amounts include CCMH, MTNC and LCHC.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

The following tables include condensed combining balance sheet information for the Authority and its component unit as of June 30, 2015 and 2014:

	June 30, 2015			Combined Balance
	Authority	Tillman	Eliminations	
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 14,237,683	\$ 1,117,478	\$ -	\$ 15,355,161
Restricted cash and investments – current	5,322,643	-	-	5,322,643
Patient accounts receivable, net	39,949,845	831,031	-	40,780,876
Accrued investment income	71,760	-	-	71,760
Due from related parties	2,719,982	-	(1,903,983)	815,999
Other current assets	10,581,731	457,401	(54,222)	10,984,910
Total current assets	72,883,644	2,405,910	(1,958,205)	73,331,349
Noncurrent Cash and Investments	39,450,809	102,844	-	39,553,653
Capital Assets, Net	114,441,982	1,688,939	-	116,130,921
Other Assets	10,055,276	-	-	10,055,276
Deferred Outflows of Resources	3,356,331	-	(126,527)	3,229,804
Total assets and deferred outflows of resources	\$ 240,188,042	\$ 4,197,693	\$ (2,084,732)	\$ 242,301,003

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

	June 30, 2015			Combined Balance
	Authority	Tillman	Eliminations	
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Current maturities of long-term debt	\$ 6,865,654	\$ -	\$ -	\$ 6,865,654
Accounts payable	21,631,603	504,315	(1,547,372)	20,588,546
Accrued expenses	12,981,524	245,675	-	13,227,199
Accrued interest payable	1,584,958	-	-	1,584,958
Due to related parties	2,716,396	246,699	(410,833)	2,552,262
Estimated amounts due to third-party payers	2,501,160	151,112	-	2,652,272
Total current liabilities	48,281,295	1,147,801	(1,958,205)	47,470,891
Long-Term Debt	95,179,361	-	-	95,179,361
Net Pension Liability	15,853,085	-	-	15,853,085
Other Long-Term Obligations	2,243,783	-	-	2,243,783
Total liabilities	161,557,524	1,147,801	(1,958,205)	160,747,120
Deferred Inflows of Resources	277,497	-	(126,527)	150,970
Net Position				
Net investment in capital assets	45,065,097	1,688,939	-	46,754,036
Restricted – expendable for debt service	5,434,855	-	-	5,434,855
Unrestricted	27,853,069	1,360,953	-	29,214,022
Total net position	78,353,021	3,049,892	-	81,402,913
Total liabilities, deferred inflows of resources and net position	\$ 240,188,042	\$ 4,197,693	\$ (2,084,732)	\$ 242,301,003

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

	June 30, 2014			
	Authority	Tillman	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 16,890,343	\$ 1,953,177	\$ -	\$ 18,843,520
Short-term investments	278,121	-	-	278,121
Restricted cash and investments – current	5,405,272	-	-	5,405,272
Patient accounts receivable, net	39,274,211	799,744	-	40,073,955
Accrued investment income	77,461	-	-	77,461
Due from related parties	1,648,377	-	(746,638)	901,739
Other current assets	9,355,826	359,396	(82,152)	9,633,070
Total current assets	72,929,611	3,112,317	(828,790)	75,213,138
Noncurrent Cash and Investments	28,871,518	102,796	-	28,974,314
Capital Assets, Net	108,519,472	2,125,442	-	110,644,914
Other Assets	14,228,761	-	-	14,228,761
Deferred Outflows of Resources	1,440,672	-	-	1,440,672
Total assets and deferred outflows of resources	\$ 225,990,034	\$ 5,340,555	\$ (828,790)	\$ 230,501,799

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

	June 30, 2014			
	Authority	Tillman	Eliminations	Combined Balance
Liabilities and Net Position				
Current Liabilities				
Current maturities of long-term debt	\$ 7,826,079	\$ -	\$ -	\$ 7,826,079
Accounts payable	20,136,684	753,451	(642,344)	20,247,791
Accrued expenses	15,599,914	252,830	-	15,852,744
Accrued interest payable	2,005,675	-	-	2,005,675
Due to related parties	2,487,522	92,223	(186,446)	2,393,299
Estimated amounts due to/from third-party payers	2,934,554	(245,321)	-	2,689,233
Total current liabilities	50,990,428	853,183	(828,790)	51,014,821
Long-Term Debt	80,637,404	-	-	80,637,404
Net Pension Liability	2,777,825	-	-	2,777,825
Other Long-Term Obligations	2,254,208	-	-	2,254,208
Total liabilities	136,659,865	853,183	(828,790)	136,684,258
Net Position				
Net investment in capital assets	36,001,068	2,125,442	-	38,126,510
Restricted – expendable for debt service	3,604,112	-	-	3,604,112
Unrestricted	49,724,989	2,361,930	-	52,086,919
Total net position	89,330,169	4,487,372	-	93,817,541
Total liabilities and net position	\$ 225,990,034	\$ 5,340,555	\$ (828,790)	\$ 230,501,799

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Authority and its component unit for the years ended June 30, 2015 and 2014:

	Year Ended June 30, 2015			Combined Balance
	Authority	Tillman	Eliminations	
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	\$ 240,214,463	\$ 5,296,450	\$ -	\$ 245,510,913
Grant revenue	1,060,800	-	-	1,060,800
Other	8,088,523	1,149,706	(75,183)	9,163,046
Total operating revenues	249,363,786	6,446,156	(75,183)	255,734,759
Operating Expenses				
Salaries, wages and employee benefits	121,187,227	4,707,300	-	125,894,527
Purchased services and professional fees	55,285,182	1,460,835	(18,000)	56,728,017
Medical supplies and drugs	33,571,593	676,739	-	34,248,332
Other operating expenses	25,259,246	776,363	(1,805,787)	24,229,822
Depreciation and amortization	12,246,228	495,846	-	12,742,074
Total operating expenses	247,549,476	8,117,083	(1,823,787)	253,842,772
Operating Income (Loss)	1,814,310	(1,670,927)	1,748,604	1,891,987
Nonoperating Revenues (Expenses)				
City appropriations – unrestricted	-	232,199	-	232,199
Noncapital grants and gifts	671,912	-	-	671,912
Loss on investment in equity investee	283,512	-	-	283,512
Investment income	436,518	1,248	-	437,766
Interest expense	(4,088,928)	-	-	(4,088,928)
Total nonoperating revenues (expenses)	(2,696,986)	233,447	-	(2,463,539)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	(882,676)	(1,437,480)	1,748,604	(571,552)
Capital Grants and Gifts	1,748,604	-	(1,748,604)	-
Change in Net Position	865,928	(1,437,480)	-	(571,552)
Net Position, Beginning of Year, as Previously Reported	89,330,169	4,487,372	-	93,817,541
Adjustment applicable to prior years	(11,843,076)	-	-	(11,843,076)
Net Position, Beginning of Year, as Restated	77,487,093	4,487,372	-	81,974,465
Net Position, End of Year	\$ 78,353,021	\$ 3,049,892	\$ -	\$ 81,402,913

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

	Year Ended June 30, 2014			Combined Balance
	Authority	Tillman	Eliminations	
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	\$ 231,278,896	\$ 6,147,914	\$ -	\$ 237,426,810
Grant revenue	780,533	-	-	780,533
Other	6,725,216	222,570	(75,183)	6,872,603
Total operating revenues	238,784,645	6,370,484	(75,183)	245,079,946
Operating Expenses				
Salaries, wages and employee benefits	114,296,199	4,836,888	-	119,133,087
Purchased services and professional fees	50,518,646	1,198,142	(18,000)	51,698,788
Medical supplies and drugs	32,963,847	733,925	-	33,697,772
Other operating expenses	23,382,624	1,072,461	(57,183)	24,397,902
Depreciation and amortization	11,264,396	447,598	-	11,711,994
Total operating expenses	232,425,712	8,289,014	(75,183)	240,639,543
Operating Income (Loss)	6,358,933	(1,918,530)	-	4,440,403
Nonoperating Revenues (Expenses)				
City appropriations – unrestricted	-	267,990	-	267,990
Noncapital grants and gifts	315,225	-	-	315,225
Loss on investment in equity investee	(404,618)	-	-	(404,618)
Investment income	396,939	1,490	-	398,429
Interest expense and other financing costs	(3,603,032)	(1,032)	-	(3,604,064)
Total nonoperating revenues (expenses)	(3,295,486)	268,448	-	(3,027,038)
Excess (Deficiency) of Revenues over Expenses and Change in Net Position	3,063,447	(1,650,082)	-	1,413,365
Net Position, Beginning of Year	86,266,722	6,137,454	-	92,404,176
Net Position, End of Year	\$ 89,330,169	\$ 4,487,372	\$ -	\$ 93,817,541

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

The following tables include condensed combining statements of cash flows information for the Authority and its component unit for the years ended June 30, 2015 and 2014:

	Year Ended June 30, 2015			Combined Balance
	Authority	Tillman	Eliminations	
Net Cash Provided by (Used in) Operating Activities	\$ 15,842,005	\$ (1,009,755)	\$ -	\$ 14,832,250
Net Cash Provided by Noncapital Financing Activities	671,912	232,199	-	904,111
Net Cash Used in Capital and Related Financing Activities	(9,390,255)	(59,343)	-	(9,449,598)
Net Cash Provided by (Used in) Investing Activities	(9,858,951)	1,200	-	(9,857,751)
Decrease in Cash and Cash Equivalents	(2,735,289)	(835,699)	-	(3,570,988)
Cash and Cash Equivalents, Beginning of Year	22,295,615	1,953,177	-	24,248,792
Cash and Cash Equivalents, End of Year	<u>\$ 19,560,326</u>	<u>\$ 1,117,478</u>	<u>\$ -</u>	<u>\$ 20,677,804</u>

	Year Ended June 30, 2014			Combined Balance
	Authority	Tillman	Eliminations	
Net Cash Provided by (Used in) Operating Activities	\$ 14,162,493	\$ (1,310,502)	\$ -	\$ 12,851,991
Net Cash Provided by Noncapital Financing Activities	315,225	267,990	-	583,215
Net Cash Used in Capital and Related Financing Activities	(24,135,966)	(594,390)	-	(24,730,356)
Net Cash Provided by Investing Activities	8,321,107	1,025,753	-	9,346,860
Decrease in Cash and Cash Equivalents	(1,337,141)	(611,149)	-	(1,948,290)
Cash and Cash Equivalents, Beginning of Year	23,632,756	2,564,326	-	26,197,082
Cash and Cash Equivalents, End of Year	<u>\$ 22,295,615</u>	<u>\$ 1,953,177</u>	<u>\$ -</u>	<u>\$ 24,248,792</u>

Required Supplementary Information

The Comanche County Hospital Authority
Required Supplementary Information
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios
June 30, 2015

Total pension liability	
Service cost	\$ 637,179
Interest	3,863,517
Differences between expected and actual experience	(196,171)
Change of assumptions	58,934
Benefit payments	<u>(2,509,568)</u>
Net change in total pension liability	1,853,891
Total pension liability – beginning	<u>55,873,453</u>
Total pension liability – ending (a)	<u>57,727,344</u>
Plan fiduciary net position	
Contributions – employer	2,425,000
Net investment income	750,448
Benefit payments	(2,509,568)
Administrative expense	<u>(44,173)</u>
Net change in plan fiduciary net position	621,707
Plan fiduciary net position – beginning	<u>41,252,552</u>
Plan fiduciary net position – ending (b)	<u>41,874,259</u>
Authority's net pension liability – ending (a) - (b)	<u>\$ 15,853,085</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72.54%</u>
Covered-employee payroll	<u>\$ 51,828,978</u>
Authority's net pension liability as a percentage of covered-employee payroll	<u>30.59%</u>

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

The Comanche County Hospital Authority
Required Supplementary Information
Schedule of the Authority's Contributions
June 30, 2015

Actuarially determined contributions	\$ 2,365,504
Contributions in relation to the actuarially determined contribution	<u>2,425,000</u>
Contribution excess	<u><u>\$ (59,496)</u></u>
Covered-employee payroll	<u><u>\$ 51,828,978</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>4.68%</u></u>

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age method

Amortization method: Annual interest rate assumption

Remaining amortization period: 23 years

Asset valuation method: Fair market value

Inflation: 2.50%

Salary increases: 3.00% annually

Investment rate of return: 7.00% net of investment expenses

Retirement age: If hired on or after July 1, 1992, the later of age 65 or 10 years of vested service. If hired before July 1, 1992, age 65.

Mortality: 2015 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

The Comanche County Hospital Authority

Required Supplementary Information

Schedules of Funding Progress

June 30, 2015

Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	\$ 36,502,454	\$ 47,591,193	\$ 11,088,739	76.7%	\$ 57,900,893	19.2%
7/1/2012	\$ 32,539,848	\$ 42,073,852	\$ 9,534,004	77.3%	\$ 55,557,533	17.2%
7/1/2011	\$ 31,697,535	\$ 39,815,033	\$ 8,117,498	79.6%	\$ 48,626,270	16.7%

The actuarial accrued liability is based on the projected unit credit method.

Postretirement Health Care Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2014	\$ -	\$ 269,727	\$ 269,727	0.0%	\$ 964,822	28.0%
7/1/2013	\$ -	\$ 260,987	\$ 260,987	0.0%	\$ 1,175,321	22.2%
7/1/2012	\$ -	\$ 258,953	\$ 258,953	0.0%	\$ 1,569,178	16.5%

The actuarial accrued liability is based on the projected unit credit method.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Trustees
The Comanche County Hospital Authority
Lawton, 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 The Comanche County Hospital Authority (the Authority), which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principle.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Board of Trustees
The Comanche County Hospital Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

We noted certain matters that we reported to the Authority's management in a separate letter dated December 22, 2015.

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.

BKD, LLP

Tulsa, Oklahoma
December 22, 2015

The Comanche County Hospital Authority
Schedule of Findings and Responses
Year Ended June 30, 2015

Reference Number	Finding
No matters are reportable.	