

The Comanche County Hospital Authority

Auditor's Reports and Financial Statements

June 30, 2014 and 2013



The Comanche County Hospital Authority
June 30, 2014 and 2013

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Independent Auditor's Report

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of The Comanche County Hospital Authority (the Authority), which comprise the balance sheets as of June 30, 2014 and 2013, 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 respective financial position of The Comanche County Hospital Authority as of June 30, 2014 and 2013, 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 18* to the financial statements, in 2014, the Authority changed its method of accounting for deferred financing costs and losses on defeasance of long-term debt as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, 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 5, 2014

The Comanche County Hospital Authority

Management's Discussion and Analysis

Years Ended June 30, 2014 and 2013

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, 2014 and 2013. 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), McMahan-Tomlinson Nursing Center (MTNC), Lawton Community Health Center (LCHC) and Tillman County – City of Frederick Hospital Authority (Tillman).

As discussed in *Note 18*, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2014. As a result of implementing GASB 65, deferred financing costs, other than prepaid insurance, previously recorded as assets have been expensed in the year incurred and beginning net position has been restated. In addition, losses on defeasance of long-term debt, which were previously reported as a reduction of long-term debt, have been reclassified as deferred outflows of resources.

Financial Highlights

- The Authority's net position increased in each of the past three years with a \$1,413 or 1.5% increase in 2014, a \$7,386 or 8.7% increase in 2013 and a \$6,903 or 8.8% increase in 2012.
- The Authority reported operating income of \$4,440, \$11,713 and \$9,466 in 2014, 2013 and 2012, respectively.
- During 2014 and 2013, the Authority acquired capital assets costing \$21,400 and \$19,494, 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, deferred outflows of resources and all liabilities 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 them. The Authority’s total net position—the difference between assets, deferred outflows of resources and liabilities—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, deferred outflows of resources and liabilities reported in the balance sheet. The Authority’s net position increased by \$1,413 or 1.5% in 2014 over 2013 and by \$7,386 or 8.7% in 2013 over 2012 as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2014	2013 (Restated – Note 18)	2012 (Restated – Note 18)
Assets and Deferred Outflows of Resources			
Cash, cash equivalents and unrestricted investments	\$ 42,009	\$ 46,161	\$ 44,196
Patient accounts receivable, net	40,074	39,094	29,084
Other current assets	16,018	16,941	19,826
Capital assets, net	110,645	100,885	94,528
Other noncurrent assets	20,315	26,846	19,940
Deferred outflows of resources	1,441	1,622	942
	<u>\$ 230,502</u>	<u>\$ 231,549</u>	<u>\$ 208,516</u>
Liabilities			
Long-term debt	\$ 80,637	\$ 83,718	\$ 86,791
Other liabilities	56,047	55,426	36,706
	<u>136,684</u>	<u>139,144</u>	<u>123,497</u>
Net Position			
Net investment in capital assets	38,128	33,909	23,249
Restricted expendable	3,603	4,194	7,896
Unrestricted	52,087	54,302	53,874
	<u>93,818</u>	<u>92,405</u>	<u>85,019</u>
	<u>\$ 230,502</u>	<u>\$ 231,549</u>	<u>\$ 208,516</u>

In 2014, other noncurrent assets decreased by \$6,531 or 24.3% due to the reduction in trustee-held funds for capital asset acquisitions. Capital assets, net increased by \$9,760 or 9.7% in 2014 related to ongoing construction projects.

In 2013, patient accounts receivable, net increased by \$10,010 or 34.4% as a result of the conversion in the Authority's information technology system. Capital assets, net increased in 2013 by \$6,357 or 6.7% due to construction projects, including the information technology system conversion. Accounts payable and long-term debt increased in 2013 due to ongoing construction projects.

Operating Results and Changes in the Authority's Net Position

In 2014, the Authority's net position increased by \$1,413 or 1.5% as shown in Table 2. This compares to an increase in net position in 2013 of \$7,386 or 8.7% and an increase in 2012 of \$6,903 or 8.8%.

Table 2: Operating Results and Changes in Net Position

	2014	2013 (Restated – Note 18)	2012 (Restated – Note 18)
Operating Revenues			
Net patient service revenue	\$ 237,427	\$ 236,771	\$ 222,555
Other operating revenues	<u>7,653</u>	<u>6,757</u>	<u>4,919</u>
Total operating revenues	<u>245,080</u>	<u>243,528</u>	<u>227,474</u>
Operating Expenses			
Salaries and wages and employee benefits	119,133	115,109	107,165
Purchased services and professional fees	51,699	46,347	44,754
Medical supplies and drugs	33,698	35,654	33,407
Depreciation and amortization	11,712	12,218	11,390
Other operating expenses	<u>24,398</u>	<u>22,487</u>	<u>21,292</u>
Total operating expenses	<u>240,640</u>	<u>231,815</u>	<u>218,008</u>
Operating Income	<u>4,440</u>	<u>11,713</u>	<u>9,466</u>
Nonoperating Revenues (Expenses)			
City appropriations – unrestricted	268	234	225
Noncapital grants and gifts	316	529	525
Loss on investment in equity investee	(405)	(1,057)	(1,074)
Investment income	398	276	406
Interest expense	<u>(3,604)</u>	<u>(4,386)</u>	<u>(4,220)</u>
Total nonoperating revenues (expenses)	<u>(3,027)</u>	<u>(4,404)</u>	<u>(4,138)</u>
Capital Grants and Gifts	<u>-</u>	<u>77</u>	<u>1,575</u>
Increase in Net Position	<u>\$ 1,413</u>	<u>\$ 7,386</u>	<u>\$ 6,903</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 2014 decreased by \$7,273 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 0.3%
- An increase in other operating revenue of \$896 or 13.3%
- An increase in operating expenses of \$8,825 or 3.8%, the primary components of which are:
 - An increase in purchased services and professional fees of \$5,352 or 11.6%
 - A decrease in medical supplies and drugs of \$1,956 or 5.5%

Net patient service revenue was slightly higher in 2014 than in 2013 despite a decrease of 8.4% 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 by \$896 or 13.3% 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 this program 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.

The operating income for 2013 increased by \$2,247 compared to the 2012 amount. The primary components of the increase in operating income are:

- An increase in net patient service revenue of \$14,216 or 6.4%
- An increase in operating expenses of \$13,807 or 6.3%, the primary components of which are:
 - An increase in salaries, wages and employee benefits of \$7,944 or 7.4%
 - An increase in medical supplies and drugs of \$2,247 or 6.7%
 - An increase in depreciation and amortization expense of \$828 or 7.3%

Net patient service revenue was greater in 2013 than in 2012 primarily due to the revenue associated with the services provided by The Heart and Vascular Center LLC (HVC) acquired in May 2012 (see *Note 16*).

Salaries, wages and employee benefits increased by 7.4% due primarily to the increased salaries associated with the HVC acquisition.

The increase in medical supplies and drugs by 6.7% was due primarily to the increased supply usage associated with the HVC acquisition and changes in surgical and vascular procedure mix.

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. Interest expense decreased compared to the prior year's amounts by \$782 or 17.8% and increased by \$166 or 3.9% in 2013 due primarily to the payment of financing costs in 2013 associated with financing transactions.

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 and the changes in accounts receivable and accounts payable previously discussed.

Capital Assets and Debt Administration

Capital Assets

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.

At the end of 2013, the Authority had \$100,885 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2013, the Authority acquired capital assets costing \$19,494 and disposed of capital assets with a net book value of \$1,596 as part of an information technology system conversion.

Debt

As detailed in *Note 8*, at June 30, 2014 and 2013, the Authority had \$88,463 and \$90,133, respectively, in revenue bonds, revenue refunding notes, notes payable and capital lease obligations outstanding. During 2014, the Authority incurred additional long-term debt of \$4,745. During 2013, the Authority incurred additional long-term debt of \$48,702 and made principal payments of \$45,360.

Other Economic Factors

The population of Comanche County, Oklahoma, began to grow in 2008 and had a population of 124,000 in 2010 based upon the U.S. census data. This is an 8% growth over the 2000 U.S. census data.

In the last several years, Lawton has seen the addition of an automobile dealership, three hotels and four national restaurant chains. A new shopping center anchored by Target opened in 2012. The tax increment financing (TIF) district in downtown Lawton has seen the construction of a hotel and additional shopping from big box stores, including Dick's Sporting Goods and Kohl's. The TIF district also has plans for a convention center. Lawton sales tax receipts have grown and are expected to continue to grow with the addition of these retail stores. Additionally, Serco, Inc., announced a new call center for the *Patient Protection and Affordable Care Act* to assist callers with information related to the insurance exchanges is opening in Lawton. The center is expected to hire up to 475 employees. Fort Sill is not in a growth mode and has recently seen a decline in the number of soldiers on post and may see future decreases as the military services consider future overall reductions.

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 Memorial Hospital Administration by telephoning 580.355.8620.

The Comanche County Hospital Authority

Balance Sheets

June 30, 2014 and 2013

Assets and Deferred Outflows of Resources

	<u>2014</u>	<u>2013</u> <u>(Restated –</u> <u>Note 18)</u>
Current Assets		
Cash and cash equivalents	\$ 18,843,520	\$ 20,149,695
Short-term investments	278,121	2,128,769
Restricted cash and investments – current	5,405,272	6,047,370
Patient accounts receivable, net of allowance; 2014 – \$39,765,000, 2013 – \$35,893,000	40,073,955	39,093,562
Accrued investment income	77,461	92,695
Due from related parties	901,739	872,560
Contribution receivable	-	327,000
Supplies	5,410,868	5,233,308
Prepaid expenses and other	4,222,202	4,368,194
	<u>75,213,138</u>	<u>78,313,153</u>
Noncurrent Cash and Investments		
Held by trustee for debt service	9,879,245	9,819,063
Held in escrow for capital acquisitions	1,612,494	8,791,389
	<u>11,491,739</u>	<u>18,610,452</u>
Less amount required to meet current obligations	5,405,272	6,047,370
	<u>6,086,467</u>	<u>12,563,082</u>
Other long-term investments	22,887,847	23,882,389
	<u>28,974,314</u>	<u>36,445,471</u>
	<u>110,644,914</u>	<u>100,884,841</u>
Capital Assets, Net		
Other Assets		
Prepaid insurance on debt financing	347,540	418,247
Investment in joint venture	2,189,877	2,205,904
Goodwill	6,339,986	6,830,824
Other	5,351,358	4,829,140
	<u>14,228,761</u>	<u>14,284,115</u>
	<u>1,440,672</u>	<u>1,621,809</u>
Deferred Outflows of Resources		
	<u>\$ 230,501,799</u>	<u>\$ 231,549,389</u>

Liabilities and Net Position

	<u>2014</u>	<u>2013 (Restated – Note 18)</u>
Current Liabilities		
Current maturities of long-term debt	\$ 7,826,079	\$ 6,415,065
Accounts payable	20,285,508	23,937,476
Accrued expenses	15,944,967	14,777,143
Accrued interest payable	2,005,675	2,096,653
Due to related parties	2,263,359	2,311,132
Estimated amounts due to third-party payers	<u>2,689,233</u>	<u>677,593</u>
Total current liabilities	51,014,821	50,215,062
Long-Term Debt	80,637,404	83,717,998
Other Long-Term Obligations	<u>5,032,033</u>	<u>5,212,153</u>
Total liabilities	<u>136,684,258</u>	<u>139,145,213</u>
Net Position		
Net investment in capital assets	38,126,510	33,908,591
Restricted – expendable for		
Debt service	3,604,112	3,452,718
Capital acquisitions	-	740,876
Unrestricted	<u>52,086,919</u>	<u>54,301,991</u>
Total net position	<u>93,817,541</u>	<u>92,404,176</u>
Total liabilities and net position	<u>\$ 230,501,799</u>	<u>\$ 231,549,389</u>

The Comanche County Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013 (Restated – Note 18)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2014 – \$44,335,520, 2013 – \$41,816,459	\$ 237,426,810	\$ 236,771,261
Grant revenue	780,533	763,722
Other	<u>6,872,603</u>	<u>5,993,262</u>
Total operating revenues	<u>245,079,946</u>	<u>243,528,245</u>
Operating Expenses		
Salaries and wages	101,165,855	97,009,378
Employee benefits	17,967,232	18,099,553
Purchased services and professional fees	51,698,788	46,347,171
Medical supplies and drugs	33,697,772	35,653,828
Supplies and other	22,799,816	21,042,223
Insurance	1,598,086	1,445,382
Depreciation and amortization	<u>11,711,994</u>	<u>12,218,027</u>
Total operating expenses	<u>240,639,543</u>	<u>231,815,562</u>
Operating Income	<u>4,440,403</u>	<u>11,712,683</u>
Nonoperating Revenues (Expenses)		
City appropriations – unrestricted	267,990	233,950
Noncapital grants and gifts	315,225	528,675
Loss on investment in equity investee	(404,618)	(1,056,627)
Investment income	398,429	276,227
Interest expense and other financing costs	<u>(3,604,064)</u>	<u>(4,385,991)</u>
Total nonoperating revenues (expenses)	<u>(3,027,038)</u>	<u>(4,403,766)</u>
Excess of Revenues over Expenses Before Capital Grants and Gifts	1,413,365	7,308,917
Capital Grants and Gifts	<u>-</u>	<u>77,364</u>
Increase in Net Position	1,413,365	7,386,281
Net Position, Beginning of Year	<u>92,404,176</u>	<u>85,017,895</u>
Net Position, End of Year	<u>\$ 93,817,541</u>	<u>\$ 92,404,176</u>

The Comanche County Hospital Authority
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u> <u>(Restated –</u> <u>Note 18)</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 239,238,590	\$ 226,124,419
Payments to suppliers and contractors	(115,369,122)	(93,336,572)
Payments to or on behalf of employees	(117,965,263)	(114,438,838)
Other receipts and payments, net	<u>6,947,786</u>	<u>6,975,884</u>
Net cash provided by operating activities	<u>12,851,991</u>	<u>25,324,893</u>
Noncapital Financing Activities		
Noncapital grants and gifts	315,225	349,260
City appropriations received	<u>267,990</u>	<u>233,950</u>
Net cash provided by noncapital financing activities	<u>583,215</u>	<u>583,210</u>
Capital and Related Financing Activities		
Capital grants and gifts	327,000	750,364
Principal paid on long-term debt	(6,149,870)	(45,382,490)
Interest paid on long-term debt	(4,191,178)	(4,112,675)
Proceeds from issuance of long-term debt	4,745,485	48,701,679
Purchase of capital assets	(19,233,193)	(17,041,042)
Payment of call premium and debt issuance costs	(270,000)	(1,026,287)
Proceeds from sale of capital assets	<u>41,400</u>	<u>9,571</u>
Net cash used in capital and related financing activities	<u>(24,730,356)</u>	<u>(18,100,880)</u>
Investing Activities		
Interest on investments	449,154	747,011
Purchase of investments	(10,158,315)	(37,243,460)
Proceeds from disposition of investments	19,643,782	24,218,074
Contributions to equity investee	<u>(388,591)</u>	<u>(1,394,355)</u>
Net cash provided by (used in) investing activities	<u>9,546,030</u>	<u>(13,672,730)</u>
Decrease in Cash and Cash Equivalents	(1,749,120)	(5,865,507)
Cash and Cash Equivalents, Beginning of Year	<u>25,734,784</u>	<u>31,600,291</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,985,664</u>	<u>\$ 25,734,784</u>

See Notes to Financial Statements

	2014	2013 (Restated – Note 18)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 18,843,520	\$ 20,149,695
Cash and cash equivalents in noncurrent cash and investments Held by trustee for debt service	<u>5,142,144</u>	<u>5,585,089</u>
	<u><u>\$ 23,985,664</u></u>	<u><u>\$ 25,734,784</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 4,440,403	\$ 11,712,683
Depreciation and amortization	11,711,994	12,218,027
Provision for uncollectible accounts	44,335,520	41,816,459
Changes in assets and liabilities		
Patient and other accounts receivable, net	(45,315,913)	(51,825,908)
Supplies and prepaid expenses	(78,133)	(417,519)
Estimated amount due to third-party payer	2,011,640	(1,401,115)
Accounts payable and accrued expenses	(3,370,048)	13,296,989
Due to/from related parties	(339,771)	607,305
Other assets and liabilities	<u>(543,701)</u>	<u>(682,028)</u>
Net cash provided by operating activities	<u><u>\$ 12,851,991</u></u>	<u><u>\$ 25,333,043</u></u>
Supplemental Disclosures of Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 2,001,872	\$ 986,704
Loss on investment in equity investee	\$ 404,618	\$ 1,056,627
Forgiveness of debt payments (Note 8)	\$ -	\$ 179,415
Nonmonetary transaction for capital asset acquisitions (Note 5)	\$ -	\$ 1,578,064

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

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. 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, 2014 and 2013

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 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 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. At June 30, 2014 and 2013, cash equivalents consisted of money market mutual funds with brokers.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013

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>2014</u>	<u>2013</u>
Interest costs capitalized	\$ 682,078	\$ 549,118
Interest costs and other financing costs charged to expense	<u>3,604,064</u>	<u>4,385,991</u>
Total interest incurred	<u>\$ 4,286,142</u>	<u>\$ 4,935,109</u>

Prepaid Insurance on Debt Financing

Prepaid insurance on debt financings represent 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.

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, 2014 and 2013

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.

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

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 as a political subdivision of the State of Oklahoma. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Foundation

CCMH 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, not reflected in the accompanying financial statements.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

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 program is retroactive to July 1, 2011, and is currently scheduled to sunset on December 31, 2017. The SHOPP program 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 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, 2014 and 2013, 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 program 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 program is not expected to be materially different than the net amounts received in 2014 and 2013.

	<u>2014</u>	<u>2013</u>
SHOPP funds received	\$ 10,295,000	\$ 9,915,000
SHOPP assessment fees paid	<u>5,075,000</u>	<u>4,783,000</u>
Net SHOPP benefit	<u>\$ 5,220,000</u>	<u>\$ 5,132,000</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. Payment 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, 2014 and 2013

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

	2014	2013
Medicare Hospital Program Revenue	\$ 1,797,000	\$ 1,437,000
Medicaid Hospital Program Revenue	745,000	-
Medicare and Medicaid Physician Program Revenue	668,000	277,000
	\$ 3,210,000	\$ 1,714,000

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 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, 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, 2014 and 2013

Approximately 63% and 60% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, the Authority received approximately \$781,000 and \$764,000, 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, 2014 and 2013, approximately \$0 and \$940,000, respectively, of the Authority's bank balances of approximately \$20,227,000 and \$23,683,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized. At June 30, 2014, the Hospital's bank balances in excess of FDIC limits were 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, 2014 and 2013

At June 30, 2014 and 2013, 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, 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>				
June 30, 2013					
Mortgage- and asset-backed securities of U.S. agencies	\$ 24,717,913	\$ 1,001,710	\$ 23,716,203	\$ -	\$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Equity securities	166,186	166,186	-	-	-
Money market mutual funds	<u>17,706,216</u>	<u>17,706,216</u>	<u>-</u>	<u>-</u>	<u>-</u>
	44,791,605	<u>\$ 18,874,112</u>	<u>\$ 23,716,203</u>	<u>\$ -</u>	<u>\$ 2,201,290</u>
Accrued investment income	<u>92,695</u>				
	<u>\$ 44,884,300</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 investing 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, 2014 and 2013

- 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, 2014 and 2013, the Authority’s investments that were not direct obligations of or explicitly guaranteed by the U.S. government were rated as follows:

Type	2014		2013	
	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, 2014 and 2013, 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, 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 Home Loan Bank	\$ 3,248,360	8.3%
Federal Farm Credit Bank	\$ 2,596,126	6.7%

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2014 and 2013

At June 30, 2013, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal Home Loan Mortgage Corporation	\$ 11,594,398	25.8%
Federal National Mortgage Association	\$ 7,967,912	17.8%
Federal Farm Credit Bank	\$ 2,888,386	6.4%
Federal Home Loan Bank	\$ 2,267,218	5.1%

Summary of Carrying Values

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

	2014	2013
Carrying value		
Deposits	\$ 14,514,440	\$ 19,979,700
Investments	39,064,248	44,884,300
	<u>\$ 53,578,688</u>	<u>\$ 64,864,000</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 18,843,520	\$ 20,149,695
Short-term investments	278,121	2,128,769
Restricted cash and investments – current	5,405,272	6,047,370
Noncurrent cash and investments	28,974,314	36,445,471
Accrued investment income	77,461	92,695
	<u>\$ 53,578,688</u>	<u>\$ 64,864,000</u>

Investment Income

Investment income for the years ended June 30, 2014 and 2013, consisted of:

	2014	2013
Interest and dividend income	\$ 433,920	\$ 639,113
Net decrease in fair value of investments	(35,491)	(362,886)
	<u>\$ 398,429</u>	<u>\$ 276,227</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013, consisted of:

	2014	2013
Medicare	\$ 15,632,656	\$ 18,244,985
Medicaid	4,809,825	5,625,882
Other third-party payers	18,382,415	17,319,481
Patients	41,014,059	33,796,214
	79,838,955	74,986,562
Less allowance for uncollectible accounts	39,765,000	35,893,000
	\$ 40,073,955	\$ 39,093,562

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013, was:

	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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

	2013				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 3,602,948	\$ 92,136	\$ -	\$ -	\$ 3,695,084
Land improvements	8,260,929	4,930	-	-	8,265,859
Buildings and improvements	121,350,888	341,452	-	515,304	122,207,644
Equipment	123,502,733	4,912,611	(11,024,537)	11,735,373	129,126,180
Construction in progress	5,544,301	14,142,581	-	(12,250,677)	7,436,205
	262,261,799	19,493,710	(11,024,537)	-	270,730,972
Less accumulated depreciation					
Land improvements	5,538,520	262,807	-	-	5,801,327
Buildings and improvements	68,634,582	3,607,171	-	-	72,241,753
Equipment	93,561,084	7,670,909	(9,428,942)	-	91,803,051
	167,734,186	11,540,887	(9,428,942)	-	169,846,131
Capital assets, net	\$ 94,527,613	\$ 7,952,823	\$ (1,595,595)	\$ -	\$ 100,884,841

As part of an information technology (IT) system conversion in 2013, the Authority entered into a nonmonetary transaction related to the replacement of certain components of the IT system in the amount of approximately \$1,580,000. The loss related to this nonmonetary transaction was not material.

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 2014 and 2013, 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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

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

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 are included in accrued expenses on the accompanying balance sheets, during the years ended June 30, 2014 and 2013, is summarized as follows:

	Employee Health and Dental Benefits	Short-Term Disability	Workers' Compensation
2014			
Balance, beginning of year	\$ 1,090,313	\$ 43,550	\$ 1,705,959
Current year claims and changes in estimates	8,374,561	21,246	685,072
Claim payments, net of reinsurance	<u>(8,218,660)</u>	<u>(27,137)</u>	<u>(977,150)</u>
Balance, end of year	<u>\$ 1,246,214</u>	<u>\$ 37,659</u>	<u>\$ 1,413,881</u>
2013			
Balance, beginning of year	\$ 1,467,307	\$ 85,264	\$ 1,166,549
Current year claims and changes in estimates	7,605,114	2,826	1,919,847
Claim payments, net of reinsurance	<u>(7,982,108)</u>	<u>(44,540)</u>	<u>(1,380,437)</u>
Balance, end of year	<u>\$ 1,090,313</u>	<u>\$ 43,550</u>	<u>\$ 1,705,959</u>

In June 2013, the Oklahoma Workers' Compensation Court (OWCC) required the Authority to post collateral for self-insured claims in the form of a \$1,425,000 line of credit with a bank in the event the Authority was unable to pay its claims. No amounts were drawn on this line of credit.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

In June 2014, the OWCC required the Authority to post collateral for self-insured claims in the form of a \$1,150,000 line 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 this line of credit.

Note 8: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30, 2014 and 2013:

	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)	-	-
Notes payable to banks	752,624	-	(261,652)	490,972	275,268
Note payable to bank	-	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	-
Net pension obligation	3,233,183	1,986,581	(2,441,939)	2,777,825	-
	<u>6,158,112</u>	<u>3,016,891</u>	<u>(3,419,089)</u>	<u>5,755,914</u>	<u>723,881</u>
Total other long-term obligations					
Total long-term obligations	<u>\$ 96,291,175</u>	<u>\$ 7,762,376</u>	<u>\$ (9,834,155)</u>	<u>\$ 94,219,396</u>	<u>\$ 8,549,960</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

	2013				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2005 Revenue Bonds	\$ 33,741,635	\$ -	\$ (111,585)	\$ 33,630,050	\$ 111,585
Series 2004 Revenue Bonds	4,770,000	-	(2,325,000)	2,445,000	2,445,000
Series 2000B Revenue Bonds	23,664,823	-	(23,664,823)	-	-
Series 2012A Revenue Bonds	-	38,871,679	(91,740)	38,779,939	923,610
Series 2012B Revenue Bonds	-	9,830,000	-	9,830,000	-
Revenue refunding note	415,000	-	(275,000)	140,000	140,000
Notes payable to banks	16,377,899	-	(15,625,275)	752,624	261,652
Note payable to Comanche County Industrial Development Authority	179,415	-	(179,415)	-	-
Capital lease obligations	7,642,665	-	(3,087,215)	4,555,450	2,533,218
Total long-term debt	86,791,437	48,701,679	(45,360,053)	90,133,063	6,415,065
Other long-term liabilities					
Estimated self-insurance costs	1,166,549	1,919,847	(1,380,437)	1,705,959	945,959
Deferred compensation plans	777,050	441,920	-	1,218,970	-
Net pension obligation	3,870,365	1,851,033	(2,488,215)	3,233,183	-
Total other long-term obligations	5,813,964	4,191,979	(3,847,831)	6,158,112	945,959
Total long-term obligations	\$ 92,605,401	\$ 52,893,658	\$ (49,207,884)	\$ 96,291,175	\$ 7,361,024

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. The Authority is required to make monthly deposits to a 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, 2016, at a price of par plus accrued interest to the date of redemption. The bonds are 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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

When the Series 2005 Revenue Bonds were issued, the bonds were sold at a premium of approximately \$1,506,000. At June 30, 2014 and 2013, the outstanding balance of the Series 2005 Revenue Bonds was as follows:

	2014	2013
Principal amount	\$ 32,970,000	\$ 32,970,000
Plus unamortized premium	548,465	660,050
Net amount outstanding	\$ 33,518,465	\$ 33,630,050

- 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 Hospital 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 Hospital 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 2000B Fixed Rate Revenue Bonds (Series 2000B Revenue Bonds), in the original amount of \$28,010,000 dated February 1, 2002, which included interest at 5.35% to 6.60%, payable semiannually. Principal was payable in annual installments through July 2031. The Authority was required to make monthly deposits to a debt service fund held by the trustee. All of the bonds still outstanding could have been redeemed at the Authority's option on or after July 1, 2012, at a redemption price of 102% decreasing to 101% on July 1, 2013, and to 100% on or after July 1, 2014. The bonds were secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. In December 2012, the Series 2000B Revenue Bonds were paid off using a portion of the proceeds provided by the Series 2012A Hospital Revenue Refunding Bonds (see below).
- Series 2012A Hospital Revenue Refunding Bonds (the 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 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	

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

When the Series 2012A Revenue Bonds were issued, the bonds were sold at a premium of approximately \$2,162,000. At June 30, 2014 and 2013, the outstanding balance of the Series 2012A Revenue Bonds was as follows:

	<u>2014</u>	<u>2013</u>
Principal amount	\$ 36,020,000	\$ 36,790,000
Plus unamortized premium	<u>1,836,329</u>	<u>1,989,939</u>
Net amount outstanding	<u>\$ 37,856,329</u>	<u>\$ 38,779,939</u>

- Series 2012B Hospital Revenue Refunding Bonds (the 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.

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 December 2012, the Authority issued the Series 2012A and Series 2012B Revenue Bonds in the aggregate amount of \$34,595,000 which, along with other available funds, were used to refund the outstanding Series 2000B Revenue Bonds and the note payable to bank entered into during 2012. Aggregate cash flows on the refunded Series 2000B Revenue Bonds and the note payable to bank from the refunding date through maturity of the Series 2012A and Series 2012B Revenue Bonds total approximately \$59,850,000 while aggregate cash flows for the Series 2012A and Series 2012B Revenue Bonds total approximately \$55,270,000 resulting in a positive net cash flow differential for the refunding transaction of approximately \$4,580,000. The economic gain (generally defined as the present value of the net cash flow discounted at the effective interest rate of the new debt) equals approximately \$3,450,000. The 2012 advance refunding transaction resulted in an accounting loss of approximately \$856,000, which is recorded as a deferred outflow of resources on the accompanying balance sheets.

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 Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

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

The debt service requirements as of June 30, 2014, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2015	\$ 7,533,992	\$ 3,687,442	\$ 3,846,550
2016	7,526,718	3,859,011	3,667,707
2017	8,128,596	4,654,995	3,473,601
2018	8,124,495	4,855,278	3,269,217
2019	8,088,251	5,044,911	3,043,340
2020–2024	40,112,813	28,974,536	11,138,277
2025–2029	18,673,410	12,952,258	5,721,152
2030–2034	13,971,775	11,696,694	2,275,081
2035–2039	3,659,141	2,790,266	868,875
2040–2043	2,923,684	2,689,403	234,281
	<u>\$ 118,742,875</u>	<u>\$ 81,204,794</u>	<u>\$ 37,538,081</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 off during 2014.

The note indenture required that certain funds be established with the trustee. Accordingly, these funds were included as assets held by trustee for debt service in the accompanying 2013 balance sheet.

Notes Payable to Banks

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, 2014 and 2013

The second note payable to bank was in the original amount of \$15,360,771 and was due June 1, 2017, with principal and interest at 5.5% payable semiannually, beginning on January 1, 2013. The note was secured by all assets of the Authority. This note was paid off in December 2012 using funds from both the Series 2012A and Series 2012B Bonds.

The debt service requirements for notes payable to banks as of June 30, 2014, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2015	\$ 293,812	\$ 275,268	\$ 18,544
2016	220,285	215,704	4,581
	<u>\$ 514,097</u>	<u>\$ 490,972</u>	<u>\$ 23,125</u>

Note Payable to Bank

The note payable to bank was 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 note 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%.

At June 30, 2014, the Authority had borrowed \$4,745,485 of the fixed rate note.

The debt service requirements for the note payable to bank as of June 30, 2014, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2015	\$ 2,304,877	\$ 2,250,000	\$ 54,877
2016	2,352,578	2,250,000	102,578
2017	267,158	245,485	21,673
	<u>\$ 4,924,613</u>	<u>\$ 4,745,485</u>	<u>\$ 179,128</u>

Note Payable to Comanche County Industrial Development Authority

The note payable to Comanche County Industrial Development Authority (CCIDA) is due April 15, 2015, including interest at 6% annually. The Authority's obligation to repay the note may be reduced or forgiven if, during the time the note is outstanding, the Authority meets certain criteria relative to the creation of jobs, investment in training, and opening and maintaining additional beds. The amounts forgiven during 2013 by CCIDA were \$179,415. As of June 30, 2013, the Hospital had satisfied the requirements to reduce the repayment of this note entirely.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013, consisted of the following:

	2014	2013
Capital assets, cost	\$ 11,102,715	\$ 22,513,555
Less accumulated depreciation	6,165,911	11,488,707
	\$ 4,936,804	\$ 11,024,848

The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 2.35% to 5.84% together with the present value of the future minimum lease payments as of June 30, 2014:

Year Ending June 30,	
2015	\$ 1,629,945
2016	424,298
Total minimum lease payments	2,054,243
Less amount representing interest	32,012
Present value of future minimum lease payments	\$ 2,022,231

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 \$1,723,000 and \$1,861,000 for 2014 and 2013, 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 screening and assessments, prenatal education and care, community educational services, ambulance services, rural clinics and various support groups.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 10: Pension Plan

Plan Description

The Authority maintains a single-employer defined benefit pension plan administered by the plan's Board of Trustees who are appointed by the Authority's governing body. The plan provides retirement, disability and death benefits to plan members who are employees of CCMH, MTNC and LCHC and their beneficiaries. The plan also includes supplemental retirement benefits for certain employees. The authority to establish and amend benefit provisions is vested in the Authority's governing body. There is no publicly available financial report for the plan.

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.

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension cost and net pension obligation to the plan for 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Annual required contributions	\$ 2,193,942	\$ 2,090,149
Interest on net pension obligation	226,323	270,926
Adjustment to annual required contribution	<u>(433,684)</u>	<u>(510,042)</u>
Annual pension cost	1,986,581	1,851,033
Contributions made	<u>(2,441,939)</u>	<u>(2,488,215)</u>
Decrease in net pension obligation	(455,358)	(637,182)
Net pension obligation, beginning of year	<u>3,233,183</u>	<u>3,870,365</u>
Net pension obligation, end of year	<u>\$ 2,777,825</u>	<u>\$ 3,233,183</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

The annual required contributions for 2014 and 2013 were determined as part of actuarial valuations on July 1, 2013 and 2012, respectively, 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, 2012, 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 position 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

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 the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 11: Postretirement Health Plan

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 retirement plan (*Note 10*) 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 postemployment health 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. At June 30, 2014, no expenditures have been recognized. Of the four plan participants, none are eligible to receive benefits at June 30, 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 Governmental Accounting Standards Board (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:

	2014	2013
Normal cost	\$ (30,028)	\$ (25,857)
Amortization of UAAL	39,358	36,383
Annual required contribution	9,330	10,526
Interest on prior year net OPEB obligation	14,117	11,687
Adjustment to annual required contribution	15,911	10,041
Annual OPEB cost	39,358	32,254
Contributions made	(37,324)	(41,976)
Increase in net OPEB obligation	2,034	(9,722)
Net OPEB obligation, beginning of year	258,953	268,675
Net OPEB obligation, end of year	\$ 260,987	\$ 258,953

The Comanche County Hospital Authority

Notes to Financial Statements

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The annual required contributions for 2014 and 2013 were determined as part of actuarial valuations on July 1, 2013 and 2012, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions included a 6.0% discount rate 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, 2012, was 10 years. The net OPEB obligation is included in accrued liabilities on the accompanying financial statements at June 30, 2014 and 2013.

Trend Information

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

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 39,358	95%	\$ 260,987
June 30, 2013	\$ 32,254	130%	\$ 258,953
June 30, 2012	\$ 30,190	158%	\$ 268,675

Funded 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
\$ -	\$ 260,987	\$ 260,987	0.0%	\$ 1,175,321	22.2%

The accompanying schedules of funding progress, presented as required supplementary information following the notes to the 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 the Tillman County – City of Fredrick Hospital Authority 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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 13: Related-Party Information

Comanche County Hospital Foundation

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. At June 30, 2014 and 2013, the Foundation owed CCMH \$12,174 and \$0, respectively, as a result of these purchases and services.

The Foundation raises contributions for operating and capital donations to CCMH. Included in capital grants and gifts on the accompanying statements of revenues, expenses and changes in net position are \$0 and \$69,000 for the years ended June 30, 2014 and 2013, respectively.

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, 2014 and 2013, the Authority recorded revenue from CCSO in the amounts of approximately \$5,702,000 and \$4,810,000, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2014 and 2013, CCSO owed the Authority \$889,565 and \$872,560, respectively, which is included in due from related parties on the accompanying balance sheets.

CCSO provides cancer treatment services to the Authority's patients. For the years ended June 30, 2014 and 2013, the Authority incurred approximately \$15,240,000 and \$12,160,000, respectively, of expense and owed CCSO \$2,263,359 and \$2,311,132 at June 30, 2014 and 2013, 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 \$2,189,877 and \$2,205,904 at June 30, 2014 and 2013, 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.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2014 and 2013

Financial position and results of operations summarized from CCSO's audited financial statements for the fiscal years ended June 30, 2014 and 2013, are shown below:

	2014	2013
Current assets	\$ 9,356,075	\$ 8,912,974
Capital assets and other long-term assets, net	23,442,654	25,717,186
Total assets	32,798,729	34,630,160
Total liabilities	28,007,582	29,952,225
Net position	\$ 4,791,147	\$ 4,677,935
Operating revenues	\$ 25,551,636	\$ 21,494,701
Deficiency of revenues over expenses	\$ (736,788)	\$ (2,141,704)

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

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: Business Combinations

On May 31, 2012, the Authority acquired the operations of The Heart & Vascular Center LLC (HVC). HVC is a laboratory that performs catheterization services in the Lawton, Oklahoma, area. As a result of the acquisition, the Authority will have an opportunity to increase procedure volumes.

The goodwill of \$7,362,565 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Authority and the catheterization labs. The goodwill is being amortized on a straight-line basis over 15 years.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

The following table summarizes the consideration paid for the catheterization labs and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Fair Value of Consideration Transferred

Cash paid	<u>\$ 15,360,771</u>
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Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed

Current assets	1,249,782
Capital assets	6,482,792
Other noncurrent assets	-
Identifiable intangible assets	426,950
Current liabilities	<u>(161,318)</u>

Total identifiable net assets	<u>7,998,206</u>
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Goodwill

	<u><u>\$ 7,362,565</u></u>
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Included in the purchase and sale agreement are certain performance requirements of the HVC physician group. The requirements of the agreement stipulate the HVC physician group will produce a minimum of 348,000 Work Relative Value Units (WRVU) over the 36 months following the acquisition date. If the minimum WRVU level is reached, the Authority will be required to make a payment of approximately \$2,378,000 to the physician group at that time. If after 36 months the completed WRVU is less than the required minimum, the HVC physician group will owe the Authority a penalty based on the actual WRVU production shortfall times a multiple of \$105.

Note 17: McMahan Foundation Grant

During 2012, MTNC received notice of a grant of \$1,500,000 from the McMahan Foundation. An initial payment of \$500,000 was received during fiscal 2012 and \$673,000 and \$327,000 during 2013 and 2014, respectively. During 2013, MTNC spent approximately \$759,000 of the grant proceeds on capital additions. During 2014, MTNC spent the remaining grant proceeds on capital additions. The unspent portion of the grant amount in 2013 is included as restricted net position – expendable for capital acquisitions in the accompanying balance sheets.

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Notes to Financial Statements

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Note 18: Change in Accounting Principle

In 2014, the Authority changed its accounting for deferred financing costs and losses on defeasance of long-term debt as a result of the implementation of GASB 65, *Items Previously Recorded as Assets and Liabilities*, which became effective for reporting periods beginning after December 15, 2012. The impact of the change in accounting principle was to recognize as expense deferred financing costs, other than prepaid insurance, that were previously classified as assets and reclassify losses on defeasance of long term debt, which were previously reported as a reduction of long-term debt, as deferred outflows of resources. These changes decreased net position of the Authority as of July 1, 2012, by \$472,765 and decreased the previously reported change in net position for the year ended June 30, 2013, by \$364,266 as a result of removing previously recorded amortization expense and recognizing expense for financing costs incurred in fiscal year 2013.

Note 19: 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 amounts include CCMH, MTNC and LCHC.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

The following tables include combining balance sheet information for the Authority and its component unit as of June 30, 2014 and 2013.

	June 30, 2014			Combined Balance
	Authority	Tillman	Eliminations	
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, 2014 and 2013

Liabilities and Net Position	June 30, 2014			Combined Balance
	Authority	Tillman	Eliminations	
Current Liabilities				
Current maturities of long-term debt	\$ 7,826,079	\$ -	\$ -	\$ 7,826,079
Accounts payable	20,136,684	753,451	(604,627)	20,285,508
Accrued expenses	15,599,914	345,053	-	15,944,967
Accrued interest payable	2,005,675	-	-	2,005,675
Due to related parties	2,487,522	-	(224,163)	2,263,359
Estimated amounts due to 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
Other Long-Term Obligations	5,032,033	-	-	5,032,033
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, 2014 and 2013

Assets and Deferred Outflows of Resources	June 30, 2013 (Restated – Note 18)			Combined Balance
	Authority	Tillman	Eliminations	
Current Assets				
Cash and cash equivalents	\$ 17,680,762	\$ 2,468,933	\$ -	\$ 20,149,695
Short-term investments	1,001,710	1,127,059	-	2,128,769
Restricted cash and investments – current	5,951,977	95,393	-	6,047,370
Patient accounts receivable, net	38,264,621	828,941	-	39,093,562
Accrued investment income	92,695	-	-	92,695
Due from related parties	1,354,249	-	(481,689)	872,560
Other current assets	9,436,094	527,995	(35,587)	9,928,502
Total current assets	73,782,108	5,048,321	(517,276)	78,313,153
Noncurrent Cash and Investments	36,445,471	-	-	36,445,471
Capital Assets, Net	98,764,261	2,120,580	-	100,884,841
Other Assets	14,282,965	1,150	-	14,284,115
Deferred Outflows of Resources	1,621,809	-	-	1,621,809
Total assets and deferred outflows of resources	\$ 224,896,614	\$ 7,170,051	\$ (517,276)	\$ 231,549,389

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

		June 30, 2013 (Restated – Note 18)			
		Authority	Tillman	Eliminations	Combined Balance
Liabilities and Net Position					
Current Liabilities					
Current maturities of long-term debt	\$ 6,275,065	\$ 140,000	\$ -	\$ 6,415,065	
Accounts payable	23,703,209	511,737	(277,470)	23,937,476	
Accrued expenses	14,400,043	377,100	-	14,777,143	
Accrued interest payable	2,094,605	2,048	-	2,096,653	
Due to related parties	2,550,938	-	(239,806)	2,311,132	
Estimated amounts due to third-party payers	675,881	1,712	-	677,593	
Total current liabilities	49,699,741	1,032,597	(517,276)	50,215,062	
Long-Term Debt	83,717,998	-	-	83,717,998	
Other Long-Term Obligations	5,212,153	-	-	5,212,153	
Total liabilities	138,629,892	1,032,597	(517,276)	139,145,213	
Net Position					
Net investment in capital assets	31,928,011	1,980,580	-	33,908,591	
Restricted – expendable for					
Debt service	3,359,373	93,345	-	3,452,718	
Capital acquisitions	740,876	-	-	740,876	
Unrestricted	50,238,462	4,063,529	-	54,301,991	
Total net position	86,266,722	6,137,454	-	92,404,176	
Total liabilities and net position	\$ 224,896,614	\$ 7,170,051	\$ (517,276)	\$ 231,549,389	

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

The following tables include condensed combining statements of revenues, expenses and changes in net position for the Authority and its component unit for the years ended June 30, 2014 and 2013.

	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	(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, 2014 and 2013

	June 30, 2013 (Restated – Note 18)			
	Authority	Tillman	Eliminations	Combined Balance
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	\$ 229,565,409	\$ 7,205,852	\$ -	\$ 236,771,261
Grant revenue	763,722	-	-	763,722
Other	4,543,523	1,524,922	(75,183)	5,993,262
	<u>234,872,654</u>	<u>8,730,774</u>	<u>(75,183)</u>	<u>243,528,245</u>
Operating Expenses				
Salaries, wages and employee benefits	110,263,748	4,845,183	-	115,108,931
Purchased services and professional fees	45,233,615	1,131,556	(18,000)	46,347,171
Medical supplies and drugs	34,927,575	726,253	-	35,653,828
Other operating expenses	21,426,901	1,117,887	(57,183)	22,487,605
Depreciation and amortization	11,671,617	546,410	-	12,218,027
	<u>223,523,456</u>	<u>8,367,289</u>	<u>(75,183)</u>	<u>231,815,562</u>
Operating Income	<u>11,349,198</u>	<u>363,485</u>	<u>-</u>	<u>11,712,683</u>
Nonoperating Revenues (Expenses)				
City appropriations – unrestricted	-	233,950	-	233,950
Noncapital grants and gifts	528,675	-	-	528,675
Loss on investment in equity investee	(1,056,627)	-	-	(1,056,627)
Investment income	254,912	21,315	-	276,227
Interest expense	(4,373,241)	(12,750)	-	(4,385,991)
	<u>(4,646,281)</u>	<u>242,515</u>	<u>-</u>	<u>(4,403,766)</u>
Excess of Revenues over Expenses Before Capital Grants and Gifts	<u>6,702,917</u>	<u>606,000</u>	<u>-</u>	<u>7,308,917</u>
Capital Grants and Gifts	<u>77,364</u>	<u>-</u>	<u>-</u>	<u>77,364</u>
Increase in Net Position	<u>6,780,281</u>	<u>606,000</u>	<u>-</u>	<u>7,386,281</u>
Net Position, Beginning of Year	<u>79,486,441</u>	<u>5,531,454</u>	<u>-</u>	<u>85,017,895</u>
Net Position, End of Year	<u>\$ 86,266,722</u>	<u>\$ 6,137,454</u>	<u>\$ -</u>	<u>\$ 92,404,176</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

The following tables include condensed combining statements of cash flow information for the Authority and its component unit for the years ended June 30, 2014 and 2013.

	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	8,520,277	1,025,753	-	9,546,030
Change in Cash and Cash Equivalents	(1,137,971)	(611,149)	-	(1,749,120)
Cash and Cash Equivalents, Beginning of Year	23,170,458	2,564,326	-	25,734,784
Cash and Cash Equivalents, End of Year	\$ 22,032,487	\$ 1,953,177	\$ -	\$ 23,985,664

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

	Year Ended June 30, 2013 (Restated – Note 18)			Combined Balance
	Authority	Tillman	Eliminations	
Net Cash Provided by Operating Activities	\$ 24,079,673	\$ 1,245,220	\$ -	\$ 25,324,893
Net Cash Provided by Noncapital Financing Activities	349,260	233,950	-	583,210
Net Cash Used in Capital and Related Financing Activities	(17,720,395)	(380,485)	-	(18,100,880)
Net Cash Provided by (Used in) Investing Activities	<u>(14,524,353)</u>	<u>851,623</u>	<u>-</u>	<u>(13,672,730)</u>
Change in Cash and Cash Equivalents	(7,815,815)	1,950,308	-	(5,865,507)
Cash and Cash Equivalents, Beginning of Year	<u>30,986,273</u>	<u>614,018</u>	<u>-</u>	<u>31,600,291</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 23,170,458</u></u>	<u><u>\$ 2,564,326</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,734,784</u></u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 20: Future Changes in Accounting Principles

GASB recently issued its Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB 68 requires recognition of the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Authority expects to first apply GASB 68 during the year ending June 30, 2015, using a retrospective recognition method. The impact of applying GASB 68 has not been determined but is likely to reduce the Authority's net position on the balance sheet by an amount estimated to be between \$10,000,000 and \$13,000,000.

Note 21: Subsequent Event

The Authority is in the process of planning a fixed rate bond issuance to refund portions of its existing debt to realize a reduction in interest expense and cash flow savings. The terms of the financing have not yet been determined, but the new financing is expected to be closed prior to the end of January 2015. This new financing agreement will be secured by pledged revenues of the Authority on parity with existing revenue bonds.

The Comanche County Hospital Authority
Required Supplementary Information
Schedules of Funding Progress
June 30, 2014 and 2013

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 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	\$ -	\$ 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%
7/1/2011	\$ -	\$ 268,675	\$ 268,675	0.0%	\$ 1,684,075	16.0%

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

The Comanche County Hospital Authority
Combining Schedule – Balance Sheet Information
June 30, 2014

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and cash equivalents	\$ -	\$ 14,282,395	\$ 1,534,638	\$ 1,953,177	\$ 1,073,310	\$ -	\$ 18,843,520
Short-term investments	-	-	278,121	-	-	-	278,121
Restricted cash and investments – current	-	4,937,665	467,607	-	-	-	5,405,272
Patient accounts receivable, net	-	38,502,693	337,426	799,744	434,092	-	40,073,955
Accrued investment income	-	70,214	7,247	-	-	-	77,461
Due from related parties	-	1,648,377	-	-	-	(746,638)	901,739
Supplies	-	5,216,346	22,312	170,354	1,856	-	5,410,868
Prepaid expenses and other	-	4,021,223	21,999	189,042	72,090	(82,152)	4,222,202
	<u>-</u>	<u>68,678,913</u>	<u>2,669,350</u>	<u>3,112,317</u>	<u>1,581,348</u>	<u>(828,790)</u>	<u>75,213,138</u>
Noncurrent Cash and Investments							
Held by trustee for debt service	-	7,841,492	2,037,753	-	-	-	9,879,245
Held in escrow for capital acquisitions	-	-	1,612,494	-	-	-	1,612,494
	<u>-</u>	<u>7,841,492</u>	<u>3,650,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,491,739</u>
Less amount required to meet current obligations	-	4,937,665	467,607	-	-	-	5,405,272
	<u>-</u>	<u>2,903,827</u>	<u>3,182,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,086,467</u>
Other long-term investments	-	20,982,203	1,802,848	102,796	-	-	22,887,847
	<u>-</u>	<u>23,886,030</u>	<u>4,985,488</u>	<u>102,796</u>	<u>-</u>	<u>-</u>	<u>28,974,314</u>
Capital Assets, Net	<u>-</u>	<u>89,646,491</u>	<u>18,361,806</u>	<u>2,125,442</u>	<u>511,175</u>	<u>-</u>	<u>110,644,914</u>
Other Assets							
Prepaid insurance on debt financing	-	347,540	-	-	-	-	347,540
Investment in joint venture	2,189,877	-	-	-	-	-	2,189,877
Goodwill	-	6,339,986	-	-	-	-	6,339,986
Other	-	13,771,485	-	-	-	(8,420,127)	5,351,358
	<u>2,189,877</u>	<u>20,459,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,420,127)</u>	<u>14,228,761</u>
Deferred Outflows of Resources	<u>-</u>	<u>1,440,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,440,672</u>
Total assets and deferred outflows of resources	<u>\$ 2,189,877</u>	<u>\$ 204,111,117</u>	<u>\$ 26,016,644</u>	<u>\$ 5,340,555</u>	<u>\$ 2,092,523</u>	<u>\$ (9,248,917)</u>	<u>\$ 230,501,799</u>

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities and Net Position							
Current Liabilities							
Current maturities of long-term debt	\$ -	\$ 6,196,320	\$ 1,629,759	\$ -	\$ -	\$ -	\$ 7,826,079
Accounts payable	-	18,094,595	1,953,586	753,451	88,503	(604,627)	20,285,508
Accrued expenses	-	15,062,398	537,516	345,053	-	-	15,944,967
Accrued interest payable	-	1,711,339	294,336	-	-	-	2,005,675
Due to related parties	-	2,301,076	-	-	186,446	(224,163)	2,263,359
Estimated amounts due to third-party payers	-	2,934,554	-	(245,321)	-	-	2,689,233
Total current liabilities	-	46,300,282	4,415,197	853,183	274,949	(828,790)	51,014,821
Due to Related Party	8,420,127	-	-	-	-	(8,420,127)	-
Long-Term Debt	-	67,202,183	13,435,221	-	-	-	80,637,404
Other Long-Term Obligations	-	5,032,033	-	-	-	-	5,032,033
Total liabilities	8,420,127	118,534,498	17,850,418	853,183	274,949	(9,248,917)	136,684,258
Net Position							
Net investment in capital assets	-	29,010,427	6,479,466	2,125,442	511,175	-	38,126,510
Restricted – expendable for							
Debt service	-	3,430,841	173,271	-	-	-	3,604,112
Unrestricted	(6,230,250)	53,135,351	1,513,489	2,361,930	1,306,399	-	52,086,919
Total net position	(6,230,250)	85,576,619	8,166,226	4,487,372	1,817,574	-	93,817,541
Total liabilities and net position	\$ 2,189,877	\$ 204,111,117	\$ 26,016,644	\$ 5,340,555	\$ 2,092,523	\$ (9,248,917)	\$ 230,501,799

The Comanche County Hospital Authority
Combining Schedule – Balance Sheet Information
June 30, 2013
(Restated – Note 18)

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and cash equivalents	\$ -	\$ 15,092,095	\$ 1,649,710	\$ 2,468,933	\$ 938,957	\$ -	\$ 20,149,695
Short-term investments	-	1,001,710	-	1,127,059	-	-	2,128,769
Restricted cash and investments – current	-	5,489,679	462,298	95,393	-	-	6,047,370
Patient accounts receivable, net	-	37,772,265	363,433	828,941	128,923	-	39,093,562
Accrued investment income	-	84,481	8,214	-	-	-	92,695
Due from related parties	-	1,354,249	-	-	-	(481,689)	872,560
Contribution receivable	-	-	327,000	-	-	-	327,000
Supplies	-	5,020,982	25,230	187,096	-	-	5,233,308
Prepaid expenses and other	-	3,969,055	23,481	340,899	70,346	(35,587)	4,368,194
Total current assets	-	69,784,516	2,859,366	5,048,321	1,138,226	(517,276)	78,313,153
Noncurrent Cash and Investments							
Held by trustee for debt service	-	7,690,986	2,032,684	95,393	-	-	9,819,063
Held in escrow for capital acquisitions	-	-	8,791,389	-	-	-	8,791,389
	-	7,690,986	10,824,073	95,393	-	-	18,610,452
Less amount required to meet current obligations	-	5,489,679	462,298	95,393	-	-	6,047,370
	-	2,201,307	10,361,775	-	-	-	12,563,082
Other long-term investments	-	21,371,725	2,510,664	-	-	-	23,882,389
	-	23,573,032	12,872,439	-	-	-	36,445,471
Capital Assets, Net	-	91,636,263	6,608,799	2,120,580	519,199	-	100,884,841
Other Assets							
Prepaid insurance on debt financing	-	418,247	-	-	-	-	418,247
Investment in joint venture	2,205,904	-	-	-	-	-	2,205,904
Goodwill	-	6,830,824	-	-	-	-	6,830,824
Other	-	12,859,526	-	1,150	-	(8,031,536)	4,829,140
Total other assets	2,205,904	20,108,597	-	1,150	-	(8,031,536)	14,284,115
Deferred Outflows of Resources	-	1,621,809	-	-	-	-	1,621,809
Total assets and deferred outflows of resources	\$ 2,205,904	\$ 206,724,217	\$ 22,340,604	\$ 7,170,051	\$ 1,657,425	\$ (8,548,812)	\$ 231,549,389

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities and Net Position							
Current Liabilities							
Current maturities of long-term debt	\$ -	\$ 6,087,551	\$ 187,514	\$ 140,000	\$ -	\$ -	\$ 6,415,065
Accounts payable	-	22,602,931	1,075,165	511,737	25,113	(277,470)	23,937,476
Accrued expenses	-	13,747,880	652,163	377,100	-	-	14,777,143
Accrued interest payable	-	1,807,369	287,236	2,048	-	-	2,096,653
Due to related parties	-	2,346,719	-	-	204,219	(239,806)	2,311,132
Estimated amounts due to third-party payers	-	675,881	-	1,712	-	-	677,593
Total current liabilities	-	47,268,331	2,202,078	1,032,597	229,332	(517,276)	50,215,062
Due to Related Party	8,031,536	-	-	-	-	(8,031,536)	-
Long-Term Debt	-	71,653,018	12,064,980	-	-	-	83,717,998
Other Long-Term Obligations	-	5,212,153	-	-	-	-	5,212,153
Total liabilities	8,031,536	124,133,502	14,267,058	1,032,597	229,332	(8,548,812)	139,145,213
Net Position							
Net investment in capital assets	-	27,426,022	3,982,790	1,980,580	519,199	-	33,908,591
Restricted – expendable for							
Debt service	-	3,184,311	175,062	93,345	-	-	3,452,718
Capital acquisitions	-	-	740,876	-	-	-	740,876
Unrestricted	(5,825,632)	51,980,382	3,174,818	4,063,529	908,894	-	54,301,991
Total net position	(5,825,632)	82,590,715	8,073,546	6,137,454	1,428,093	-	92,404,176
Total liabilities and net position	\$ 2,205,904	\$ 206,724,217	\$ 22,340,604	\$ 7,170,051	\$ 1,657,425	\$ (8,548,812)	\$ 231,549,389

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

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues							
Net patient service revenue, net of provision for uncollectible accounts	\$ -	\$ 223,102,839	\$ 5,917,740	\$ 6,147,914	\$ 2,258,317	\$ -	\$ 237,426,810
Grant revenue	-	-	-	-	780,533	-	780,533
Other	-	6,723,950	1,266	222,570	-	(75,183)	6,872,603
Total operating revenues	-	229,826,789	5,919,006	6,370,484	3,038,850	(75,183)	245,079,946
Operating Expenses							
Salaries and wages	-	92,687,452	2,955,110	3,939,501	1,583,792	-	101,165,855
Employee benefits	-	16,186,875	635,344	897,387	247,626	-	17,967,232
Purchased services and professional fees	-	49,708,904	378,455	1,198,142	431,287	(18,000)	51,698,788
Medical supplies and drugs	-	32,792,186	95,169	733,925	76,492	-	33,697,772
Supplies and other	-	20,110,051	1,553,559	940,816	252,573	(57,183)	22,799,816
Insurance	-	1,437,725	26,066	131,645	2,650	-	1,598,086
Depreciation and amortization	-	10,993,017	201,969	447,598	69,410	-	11,711,994
Total operating expenses	-	223,916,210	5,845,672	8,289,014	2,663,830	(75,183)	240,639,543
Operating Income (Loss)	-	5,910,579	73,334	(1,918,530)	375,020	-	4,440,403
Nonoperating Revenues (Expenses)							
City appropriations – unrestricted	-	-	-	267,990	-	-	267,990
Noncapital grants and gifts	-	307,045	-	-	8,180	-	315,225
Loss on investment in equity investee	(404,618)	-	-	-	-	-	(404,618)
Investment income	-	353,826	36,832	1,490	6,281	-	398,429
Interest expense	-	(3,585,546)	(17,486)	(1,032)	-	-	(3,604,064)
Total nonoperating revenues (expenses)	(404,618)	(2,924,675)	19,346	268,448	14,461	-	(3,027,038)
Excess (Deficiency) of Revenues over Expenses and Change in Net Position	(404,618)	2,985,904	92,680	(1,650,082)	389,481	-	1,413,365
Net Position, Beginning of Year	(5,825,632)	82,590,715	8,073,546	6,137,454	1,428,093	-	92,404,176
Net Position, End of Year	\$ (6,230,250)	\$ 85,576,619	\$ 8,166,226	\$ 4,487,372	\$ 1,817,574	\$ -	\$ 93,817,541

The Comanche County Hospital Authority
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2013
(Restated – Note 18)

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues							
Net patient service revenue, net of provision for uncollectible accounts	\$ -	\$ 222,433,612	\$ 5,429,956	\$ 7,205,852	\$ 1,701,841	\$ -	\$ 236,771,261
Grant revenue	-	-	-	-	763,722	-	763,722
Other	-	4,435,341	1,932	1,524,922	106,250	(75,183)	5,993,262
Total operating revenues	-	226,868,953	5,431,888	8,730,774	2,571,813	(75,183)	243,528,245
Operating Expenses							
Salaries and wages	-	89,005,916	2,843,936	3,963,137	1,196,389	-	97,009,378
Employee benefits	-	16,028,433	999,759	882,046	189,315	-	18,099,553
Purchased services and professional fees	-	44,585,998	197,920	1,131,556	449,697	(18,000)	46,347,171
Medical supplies and drugs	-	34,748,108	105,900	726,253	73,567	-	35,653,828
Supplies and other	-	18,528,322	1,316,881	993,689	260,514	(57,183)	21,042,223
Insurance	-	1,288,663	30,017	124,198	2,504	-	1,445,382
Depreciation and amortization	-	11,390,521	210,370	546,410	70,726	-	12,218,027
Total operating expenses	-	215,575,961	5,704,783	8,367,289	2,242,712	(75,183)	231,815,562
Operating Income (Loss)	-	11,292,992	(272,895)	363,485	329,101	-	11,712,683
Nonoperating Revenues (Expenses)							
City appropriations – unrestricted	-	-	-	233,950	-	-	233,950
Noncapital grants and gifts	-	526,345	-	-	2,330	-	528,675
Loss on investment in equity investee	(1,056,627)	-	-	-	-	-	(1,056,627)
Investment income	-	234,143	16,673	21,315	4,096	-	276,227
Interest expense	-	(4,268,617)	(104,624)	(12,750)	-	-	(4,385,991)
Total nonoperating revenues (expenses)	(1,056,627)	(3,508,129)	(87,951)	242,515	6,426	-	(4,403,766)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	(1,056,627)	7,784,863	(360,846)	606,000	335,527	-	7,308,917
Capital Grants and Gifts	-	77,364	-	-	-	-	77,364
Increase (Decrease) in Net Position	(1,056,627)	7,862,227	(360,846)	606,000	335,527	-	7,386,281
Net Position, Beginning of Year	(4,769,005)	74,728,488	8,434,392	5,531,454	1,092,566	-	85,017,895
Net Position, End of Year	\$ (5,825,632)	\$ 82,590,715	\$ 8,073,546	\$ 6,137,454	\$ 1,428,093	\$ -	\$ 92,404,176

The Comanche County Hospital Authority
Combining Schedule – Statement of Cash Flows Information
Year Ended June 30, 2014

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Operating Activities						
Receipts from and on behalf of patients	\$ -	\$ 224,631,084	\$ 5,943,747	\$ 5,930,078	\$ 2,733,681	\$ 239,238,590
Payments to suppliers and contractors	-	(110,219,977)	(1,833,945)	(2,594,215)	(720,985)	(115,369,122)
Payments to or on behalf of employees	-	(107,559,809)	(3,705,101)	(4,868,935)	(1,831,418)	(117,965,263)
Other receipts and payments, net	-	6,723,950	1,266	222,570	-	6,947,786
Net cash provided by (used in) operating activities	-	13,575,248	405,967	(1,310,502)	181,278	12,851,991
Noncapital Financing Activities						
Noncapital grants and gifts	-	307,045	-	-	8,180	315,225
City appropriations received	-	-	-	267,990	-	267,990
Advances from (to) related party	388,591	(388,591)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	388,591	(81,546)	-	267,990	8,180	583,215
Capital and Related Financing Activities						
Capital grants and gifts	-	-	327,000	-	-	327,000
Principal paid on long-term debt	-	(5,834,870)	(175,000)	(140,000)	-	(6,149,870)
Interest paid on long-term debt	-	(3,632,793)	(555,305)	(3,080)	-	(4,191,178)
Proceeds from issuance of long-term debt	-	1,745,485	3,000,000	-	-	4,745,485
Purchase of capital assets	-	(7,991,443)	(10,729,054)	(451,310)	(61,386)	(19,233,193)
Payment of call premium and debt issuance costs	-	(240,000)	(30,000)	-	-	(270,000)
Proceeds from sale of capital assets	-	41,400	-	-	-	41,400
Net cash provided by (used in) capital and related financing activities	-	(15,912,221)	(8,162,359)	(594,390)	(61,386)	(24,730,356)
Investing Activities						
Interest on investments	-	401,775	39,608	1,490	6,281	449,154
Purchase of investments	-	(9,031,585)	(1,023,934)	(102,796)	-	(10,158,315)
Proceeds from disposition of investments	-	9,891,077	8,625,646	1,127,059	-	19,643,782
Contributions to equity investee	(388,591)	-	-	-	-	(388,591)
Net cash provided by (used in) investing activities	(388,591)	1,261,267	7,641,320	1,025,753	6,281	9,546,030
Increase (Decrease) in Cash and Cash Equivalents	-	(1,157,252)	(115,072)	(611,149)	134,353	(1,749,120)
Cash and Cash Equivalents, Beginning of Year	-	20,581,791	1,649,710	2,564,326	938,957	25,734,784
Cash and Cash Equivalents, End of Year	\$ -	\$ 19,424,539	\$ 1,534,638	\$ 1,953,177	\$ 1,073,310	\$ 23,985,664

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Reconciliation of Cash and Cash Equivalents to the Balance Sheets						
Cash and cash equivalents in current assets	\$ -	\$ 14,282,395	\$ 1,534,638	\$ 1,953,177	\$ 1,073,310	\$ 18,843,520
Cash and cash equivalents in noncurrent cash and investments						
Held by trustee for debt service	-	5,142,144	-	-	-	5,142,144
	<u>\$ -</u>	<u>\$ 19,424,539</u>	<u>\$ 1,534,638</u>	<u>\$ 1,953,177</u>	<u>\$ 1,073,310</u>	<u>\$ 23,985,664</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ -	\$ 5,910,579	\$ 73,334	\$ (1,918,530)	\$ 375,020	\$ 4,440,403
Depreciation and amortization	-	10,993,017	201,969	447,598	69,410	11,711,994
Provision for uncollectible accounts	-	42,935,693	20,372	1,112,605	266,850	44,335,520
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	(43,666,121)	5,635	(1,083,408)	(572,019)	(45,315,913)
Supplies and prepaid expenses	-	(247,532)	4,400	168,599	(3,600)	(78,133)
Estimated amount due to (from) third-party payer	-	2,258,673	-	(247,033)	-	2,011,640
Accounts payable and accrued expenses	-	(3,725,589)	100,257	209,667	45,617	(3,370,048)
Due to/from related parties	-	(339,771)	-	-	-	(339,771)
Other assets and liabilities	-	(543,701)	-	-	-	(543,701)
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ 13,575,248</u>	<u>\$ 405,967</u>	<u>\$ (1,310,502)</u>	<u>\$ 181,278</u>	<u>\$ 12,851,991</u>
Supplemental Disclosures of Cash Flows Information						
Capital asset acquisitions included in accounts payable	\$ -	\$ 603,065	\$ 1,398,807	\$ -	\$ -	\$ 2,001,872
Loss on investment in equity investee	\$ 404,618	\$ -	\$ -	\$ -	\$ -	\$ 404,618

The Comanche County Hospital Authority
Combining Schedule – Statement of Cash Flows Information
Year Ended June 30, 2013
(Restated – Note 18)

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Operating Activities						
Receipts from and on behalf of patients	\$ -	\$ 210,630,961	\$ 5,347,492	\$ 7,456,060	\$ 2,689,906	\$ 226,124,419
Payments to suppliers and contractors	-	(87,940,748)	(1,643,041)	(2,894,357)	(858,426)	(93,336,572)
Payments to or on behalf of employees	-	(104,601,102)	(3,610,627)	(4,841,405)	(1,385,704)	(114,438,838)
Other receipts and payments, net	-	5,342,780	1,932	1,524,922	106,250	6,975,884
Net cash provided by operating activities	-	23,431,891	95,756	1,245,220	552,026	25,324,893
Noncapital Financing Activities						
Noncapital grants and gifts	-	346,930	-	-	2,330	349,260
City appropriations received	-	-	-	233,950	-	233,950
Advances from (to) related party	1,394,355	(1,394,355)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	1,394,355	(1,047,425)	-	233,950	2,330	583,210
Capital and Related Financing Activities						
Capital grants and gifts	-	77,364	673,000	-	-	750,364
Principal paid on long-term debt	-	(45,024,501)	-	(357,989)	-	(45,382,490)
Interest paid on long-term debt	-	(4,095,886)	-	(16,789)	-	(4,112,675)
Proceeds from issuance of long-term debt	-	36,441,777	12,259,902	-	-	48,701,679
Purchase of capital assets	-	(14,391,208)	(2,569,172)	(5,707)	(74,955)	(17,041,042)
Payment of call premium and debt issuance costs	-	(914,255)	(112,032)	-	-	(1,026,287)
Proceeds from sale of capital assets	-	9,571	-	-	-	9,571
Net cash provided by (used in) capital and related financing activities	-	(27,897,138)	10,251,698	(380,485)	(74,955)	(18,100,880)
Investing Activities						
Interest on investments	-	666,729	54,871	21,315	4,096	747,011
Purchase of investments	-	(21,084,878)	(15,031,523)	(1,127,059)	-	(37,243,460)
Proceeds from disposition of investments	-	18,337,497	3,923,210	1,957,367	-	24,218,074
Contributions to equity investee	(1,394,355)	-	-	-	-	(1,394,355)
Net cash provided by (used in) investing activities	(1,394,355)	(2,080,652)	(11,053,442)	851,623	4,096	(13,672,730)
Increase (Decrease) in Cash and Cash Equivalents	-	(7,593,324)	(705,988)	1,950,308	483,497	(5,865,507)
Cash and Cash Equivalents, Beginning of Year	-	28,175,115	2,355,698	614,018	455,460	31,600,291
Cash and Cash Equivalents, End of Year	\$ -	\$ 20,581,791	\$ 1,649,710	\$ 2,564,326	\$ 938,957	\$ 25,734,784

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Reconciliation of Cash and Cash Equivalents to the Balance Sheets						
Cash and cash equivalents in current assets	\$ -	\$ 15,092,095	\$ 1,649,710	\$ 2,468,933	\$ 938,957	\$ 20,149,695
Cash and cash equivalents in noncurrent cash and investments						
Held by trustee for debt service	-	5,489,696	-	95,393	-	5,585,089
	<u>\$ -</u>	<u>\$ 20,581,791</u>	<u>\$ 1,649,710</u>	<u>\$ 2,564,326</u>	<u>\$ 938,957</u>	<u>\$ 25,734,784</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ -	\$ 11,292,992	\$ (272,895)	\$ 363,485	\$ 329,101	\$ 11,712,683
Depreciation and amortization	-	11,390,521	210,370	546,410	70,726	12,218,027
Provision for uncollectible accounts	-	40,083,740	62,012	1,339,242	331,465	41,816,459
Loss on sale of capital assets	-	5,008	-	475	2,667	8,150
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	(50,486,248)	(144,476)	(1,088,062)	(107,122)	(51,825,908)
Supplies and prepaid expenses	-	(339,599)	(12,357)	(74,440)	727	(425,669)
Estimated amount due to third-party payer	-	(1,400,143)	-	(972)	-	(1,401,115)
Accounts payable and accrued expenses	-	12,960,343	253,102	159,082	(75,538)	13,296,989
Due to/from related parties	-	607,305	-	-	-	607,305
Other assets and liabilities	-	(682,028)	-	-	-	(682,028)
	<u>\$ -</u>	<u>\$ 23,431,891</u>	<u>\$ 95,756</u>	<u>\$ 1,245,220</u>	<u>\$ 552,026</u>	<u>\$ 25,324,893</u>
Net cash provided by operating activities						
Supplemental Disclosures of Cash Flows Information						
Capital asset acquisitions included in accounts payable	\$ -	\$ 251,414	\$ 735,290	\$ -	\$ -	\$ 986,704
Loss on investment in equity investee	\$ 1,056,627	\$ -	\$ -	\$ -	\$ -	\$ 1,056,627
Forgiveness of debt payments (Note 8)	\$ -	\$ 179,415	\$ -	\$ -	\$ -	\$ 179,415
Nonmonetary transaction for capital asset acquisitions (Note 5)	\$ -	\$ 1,578,064	\$ -	\$ -	\$ -	\$ 1,578,064

**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, 2014, 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 5, 2014, 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 5, 2014.

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 entity's internal control or 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 5, 2014

The Comanche County Hospital Authority
Schedule of Findings and Responses
Year Ended June 30, 2014

Reference Number	Finding
	No matters are reportable.