The Comanche County Hospital Authority

Independent Auditor's Reports and Financial Statements

June 30, 2016 and 2015

BKD LLP
CPAs & Advisors

The Comanche County Hospital Authority
June 30, 2016 and 2015

Contents

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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 balance sheets of The Comanche County Hospital Authority (the Authority) as of June 30, 2016 and 2015, 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 basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Comanche County Hospital Authority as of June 30, 2016 and 2015, 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.

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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
December 22, 2016

The Comanche County Hospital Authority

Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

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, 2016 and 2015. It should be read in conjunction with the accompanying financial statements of the Authority. Unless otherwise indicated, dollar amounts are in thousands.

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

Financial Highlights

- The Authority's net position decreased in 2016 by $3,034 or 4% and decreased in 2015 by $12,415 or 13%. In 2015, the decrease in net position included an adjustment applicable to prior years of $11,843 as a result of adopting Governmental Accounting Standards Board (GASB) Statement No. 68 in addition to the decrease in net position of $572.
- Capital assets, net increased by $2,919 or 3% in 2016 and increased by $5,486 or 5% in 2015.
- Long-term debt decreased by $6,609 or 7% in 2016 and increased by $14,542 or 18% in 2015.
- The Authority reported an operating loss of $3,511 in 2016 and operating income of $1,891 in 2015.

Using This Annual Report

The Authority's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any health care organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. The Authority's total net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Authority.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Authority's Net Position

The Authority's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the balance sheet. The Authority's net position decreased by $3,034 or 4% in 2016 and by $12,415 or 13% in 2015 as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2016	2015	2014
Assets			
Cash, cash equivalents and other long-term investments	$ 40,329	$ 39,325	$ 42,009
Patient accounts receivable, net	37,624	40,781	40,074
Other current assets	17,623	17,195	16,018
Capital assets, net	119,050	116,131	110,645
Other noncurrent assets	16,741	25,639	20,315
Total assets	231,367	239,071	229,061
Deferred Outflows of Resources	6,136	3,230	1,441
Total assets and deferred outflows of resources	$ 237,503	$ 242,301	$ 230,502
Liabilities			
Long-term debt, including current portion	$ 88,570	$ 95,179	$ 80,637
Other liabilities	70,459	65,568	56,047
Total liabilities	159,029	160,747	136,684
Deferred Inflows of Resources	105	151	-
Net Position			
Net investment in capital assets	38,952	46,757	38,128
Restricted – expendable for debt service	5,995	5,435	3,603
Unrestricted	33,422	29,211	52,087
Total net position	78,369	81,403	93,818
Total liabilities, deferred inflows of resources and net position	$ 237,503	$ 242,301	$ 230,502

Noncurrent cash and investments decreased in 2016 compared to 2015 by $8,537 or 22% as the Authority spent proceeds from the Series 2015 Revenue Bonds on the various construction projects during 2016. Capital assets, net increased in 2016 by $2,919 or 3% due to the various construction projects during 2016. Net pension liability increased in 2016 compared to 2015 by $4,042 or 26% due primarily to lower than expected investment returns on the defined benefit pension plan investments.

Noncurrent cash and investments increased in 2015 compared to 2014 by $10,579 or 37% due primarily to the additional funds borrowed as part of the Series 2015 Revenue Bonds issued in April 2015. In 2015, the Authority spent $13,350 on the emergency room remodel construction project, which was completed in fiscal year 2017, as well as the completion of a new facility for MTNC in fiscal year 2015. Other assets and accrued expenses decreased in 2015 by $4,173 and $2,626, respectively. These decreases are primarily related to the payment of certain deferred compensation amounts during 2015 that reduced other assets and accrued expenses. Additionally, the net pension liability increased by $13,075 due to the implementation of GASB Statement No. 68.

Operating Results and Changes in the Authority's Net Position

In 2016, the Authority's net position decreased by $3,034 as shown in Table 2. This compares to the decrease in net position in 2015 of $572, before the adjustment applicable to prior years related to GASB Statement No. 68 of $11,843.

Table 2: Operating Results and Changes in Net Position

	2016	2015	2014
Operating Revenues			
Net patient service revenue	$ 250,501	$ 245,511	$ 237,427
Grant revenue and other	11,482	10,224	7,653
Total operating revenues	261,983	255,735	245,080
Operating Expenses			
Salaries and wages and employee benefits	129,861	125,895	119,133
Purchased services and professional fees	61,564	56,728	51,699
Medical supplies and drugs	35,908	34,248	33,698
Depreciation and amortization	13,220	12,742	11,712
Other	24,941	24,231	24,397
Total operating expenses	265,494	253,844	240,639
Operating Income (Loss)	(3,511)	1,891	4,441
Nonoperating Revenues (Expenses)			
City appropriations – unrestricted	164	232	268
Noncapital grants and gifts	663	672	315
Gain (loss) on investment in joint ventures	708	284	(405)
Investment income	616	438	398
Interest expense and other financing costs	(3,174)	(4,089)	(3,604)
Total nonoperating revenues (expenses)	(1,023)	(2,463)	(3,028)
Capital Grants and Gifts	1,500	-	-
Increase (Decrease) in Net Position	$ (3,034)	$ (572)	$ 1,413

Operating Income (Loss)

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 loss reported by the Authority in 2016 is the first operating loss reported by the Authority in more than 10 years.

Operating results for 2016 decreased by $5,402 compared to the operating income in 2015 of $1,891. The primary components of the change in operating results are:

- An increase in net patient service revenue of $4,990 or 2%
- An increase in grant and other operating revenue of $1,258 or 12%
- An increase in operating expenses of $11,650 or 5%, the primary components of which are:
  - An increase in salaries and wages of $3,798 or 4%
  - An increase in purchased services and professional fees of $4,845 or 9%

Net patient service revenue increased in 2016 despite a decrease of 4% in inpatient days. The increase in outpatient and clinic volume offset the decrease in inpatient volume during the year ended June 30, 2016.

Other operating revenues increased by $406 or 4% primarily due to a decrease in revenue associated with the Medicare Electronic Health Records Incentive Program of $1,459, offset by an increase in revenue recognized under the Medicare 340B Drug Pricing Program of $1,140. Grant revenue increased by $852 or 80% due to expanded services at LCHC.

Employee salaries and wages increased in 2016 in connection with the Authority's annual retention and recruitment efforts.

The increase in purchased services and professional fees was primarily caused by an increase in contract labor for registered nurses in 2016 of $2,587 as well as an increase in purchased services of $2,604 related to services related to oncology and cancer care in 2016.

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

- An increase in net patient service revenue of $8,084 or 3%
- An increase in grant and other operating revenue of $2,571 or 34%
- An increase in operating expenses of $13,205 or 5%, the primary components of which are:
  - An increase in salaries and wages of $5,167 or 5%
  - An increase in purchased services and professional fees of $5,029 or 10%

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

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

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

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

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and interest expense. The Authority's total debt in 2016 and 2015 exceeded cash and investments, and as a result, interest expense exceeded investment income. Interest expense decreased in 2016 by $915 due to reduced outstanding long-term debt and the $240 payment for debt issuance costs in 2015 that did not reoccur in 2016.

The Authority's Cash Flows

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

Capital Asset and Debt Administration

Capital Assets

At the end of 2016, the Authority had $119,050 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2016, the Authority acquired capital assets costing $15,659.

At the end of 2015, the Authority had $116,133 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2015, the Authority acquired capital assets costing $18,045.

Debt

At June 30, 2016 and 2015, the Authority had $95,294 and $102,045, respectively, in revenue bonds, notes payable and capital lease obligations outstanding as detailed in *Note 8* to the accompanying financial statements. During 2016, the Authority incurred $159 for a new capital lease obligation. During 2015, the Authority issued $52,606 of revenue bonds and notes payable, which provided new funds for the Authority's construction projects, and retired the Series 2005 Revenue Bonds. During 2016, the Authority's debt rating was downgraded from BBB- to BB+.

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 Authority's administration by telephoning 580.355.8620.

The Comanche County Hospital Authority

Balance Sheets

June 30, 2016 and 2015

Assets and Deferred Outflows of Resources

	2016	2015
Current Assets		
Cash and cash equivalents	$ 16,676,837	$ 15,355,161
Restricted cash and investments – current	6,192,911	5,322,643
Patient accounts receivable, net of allowance;		
2016 – $46,061,000, 2015 – $46,576,000	37,624,283	40,778,304
Accrued investment income	70,854	71,760
Due from related parties	1,249,811	815,999
Supplies	5,882,223	6,294,047
Prepaid expenses and other	4,228,089	4,690,863
Total current assets	71,925,008	73,328,777
Noncurrent Cash and Investments		
Held by trustee for debt service	12,277,291	11,265,928
Held in escrow for capital acquisitions	1,279,946	9,640,710
	13,557,237	20,906,638
Less amount required to meet current obligations	6,192,911	5,322,643
	7,364,326	15,583,995
Other long-term investments	23,651,823	23,969,658
Total noncurrent cash and investments	31,016,149	39,553,653
Capital Assets, Net	119,049,622	116,133,493
Other Assets		
Investment in joint ventures	2,404,117	2,473,389
Goodwill	5,358,311	5,849,149
Other	1,614,067	1,732,738
Total other assets	9,376,495	10,055,276
Deferred Outflows of Resources	6,136,099	3,229,804
Total assets and deferred outflows of resources	$ 237,503,373	$ 242,301,003

Liabilities, Deferred Inflows of Resources and Net Position

	2016	2015
Current Liabilities		
Current maturities of long-term debt	$ 6,724,270	$ 6,865,654
Accounts payable	21,757,185	20,588,546
Accrued expenses	14,693,605	13,227,199
Accrued interest payable	2,036,285	1,584,958
Due to related parties	2,890,014	2,552,262
Estimated amounts due to third-party payers	1,395,997	2,652,272
Total current liabilities	49,497,356	47,470,891
Long-Term Debt	88,569,740	95,179,361
Net Pension Liability	19,895,700	15,853,085
Other Long-Term Obligations	1,066,240	2,243,783
Total liabilities	159,029,036	160,747,120
Deferred Inflows of Resources	105,769	150,970
Net Position		
Net investment in capital assets	38,951,855	46,756,608
Restricted – expendable for debt service	5,994,891	5,434,855
Unrestricted	33,421,822	29,211,450
Total net position	78,368,568	81,402,913
Total liabilities, deferred inflows of resources and net position	$ 237,503,373	$ 242,301,003

The Comanche County Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2016 – $47,633,731, 2015 – $49,532,239	$ 250,501,469	$ 245,510,913
Grant revenue	1,912,325	1,060,800
Other	9,569,490	9,163,046
Total operating revenues	261,983,284	255,734,759
Operating Expenses		
Salaries and wages	110,131,099	106,332,910
Employee benefits	19,729,743	19,561,617
Purchased services and professional fees	61,563,934	56,719,344
Medical supplies and drugs	35,908,211	34,248,332
Supplies and other	23,613,073	22,936,830
Insurance	1,328,888	1,301,665
Depreciation and amortization	13,219,715	12,742,074
Total operating expenses	265,494,663	253,842,772
Operating Income (Loss)	(3,511,379)	1,891,987
Nonoperating Revenues (Expenses)		
City appropriations – unrestricted	164,462	232,199
Noncapital grants and gifts	662,792	671,912
Gain on investment in joint ventures	707,910	283,512
Investment income	616,151	437,766
Interest expense and other financing costs	(3,174,351)	(4,088,928)
Total nonoperating revenues (expenses)	(1,023,036)	(2,463,539)
Deficiency of Revenues over Expenses Before Capital Grants and Gifts	(4,534,415)	(571,552)
Capital Grants and Gifts	1,500,070	-
Change in Net Position	(3,034,345)	(571,552)
Net Position, Beginning of Year	81,402,913	81,974,465
Net Position, End of Year	$ 78,368,568	$ 81,402,913

The Comanche County Hospital Authority
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Receipts from and on behalf of patients	$ 252,399,215	$ 245,827,831
Payments to suppliers and contractors	(120,936,497)	(111,351,123)
Payments to or on behalf of employees	(128,668,766)	(128,882,687)
Other receipts and payments, net	11,481,815	9,238,229
Net cash provided by operating activities	14,275,767	14,832,250
Noncapital Financing Activities		
Noncapital grants and gifts	662,792	671,912
City appropriations received	164,462	232,199
Net cash provided by noncapital financing activities	827,254	904,111
Capital and Related Financing Activities		
Capital grants and gifts	1,500,070	-
Principal paid on long-term debt	(6,248,741)	(38,240,020)
Interest paid on long-term debt	(3,886,287)	(5,314,076)
Proceeds from issuance of long-term debt	-	52,606,485
Payment of call premium and bond issuance costs	-	(240,000)
Purchase of capital assets	(14,266,167)	(18,321,746)
Proceeds from sale of capital assets	58,305	59,759
Net cash used in capital and related financing activities	(22,842,820)	(9,449,598)
Investing Activities		
Interest on investments	547,457	468,765
Distribution from joint ventures	777,182	-
Purchase of investments	(31,494,484)	(40,786,262)
Proceeds from disposition of investments	40,101,588	30,459,746
Net cash provided by (used in) investing activities	9,931,743	(9,857,751)
Change in Cash and Cash Equivalents	2,191,944	(3,570,988)
Cash and Cash Equivalents, Beginning of Year	20,677,804	24,248,792
Cash and Cash Equivalents, End of Year	$ 22,869,748	$ 20,677,804

	2016	2015
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 16,676,837	$ 15,355,161
Cash and cash equivalents in noncurrent cash and investments		
Held by trustee for debt service	6,192,911	5,322,643
	$ 22,869,748	$ 20,677,804
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ (3,511,379)	$ 1,891,987
Depreciation and amortization	13,219,715	12,742,074
(Gain) loss on disposal of capital assets	(5,453)	328,298
Provision for uncollectible accounts	47,633,731	49,532,239
Changes in assets and liabilities		
Patient and other accounts receivable, net	(44,479,710)	(50,239,160)
Supplies and prepaid expenses	874,598	(1,323,909)
Estimated amounts due to third-party payers	(1,256,275)	(36,961)
Accounts payable and accrued expenses	895,049	3,336,599
Change in pension liability	903,213	(362,615)
Due to/from related parties	(96,060)	(912,642)
Other assets and liabilities	98,338	(123,660)
Net cash provided by operating activities	$ 14,275,767	$ 14,832,250
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	$ 1,783,872	$ 1,221,419
Capital lease obligations incurred for capital assets	$ 158,912	$ -

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 was the Authority's guarantee of Tillman's Series 1994B Bonds through December 2003 and Tillman's revenue refunding note subsequent to that date, which were paid in full during 2014. Effective July 31, 2013, the Authority entered into a sublease agreement with Tillman whereby the Authority was granted continued use of the hospital and the nursing center facilities and full administrative, management and operational control of the hospital and the nursing center through August 31, 2023, with three successive five-year renewal options. In August 2015, the Authority and Tillman amended the sublease agreement to allow the Authority to take certain actions related to the operations of Tillman, including terminating the sublease agreement based on certain financial requirements beginning December 31, 2015.

Tillman has primarily earned revenue by operating a 37-bed short-term hospital, a 30-bed nursing center, a home health agency and a physician clinic in Frederick, Oklahoma. Effective March 31, 2016, Tillman ceased providing inpatient and emergency services. Effective September 31, 2016, Tillman ceased providing clinic services. The 30-bed nursing home will remain intact. Subsequent to year-end, the Authority notified Tillman of its intent to terminate the sublease agreement effective February 2017. After February 2017, Tillman will be responsible for the operation and management of Tillman.

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 accompanying 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, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, 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 and deferred outflows of resources and liabilities and deferred inflows of resources 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 Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents excluding investments in noncurrent cash and investments. At June 30, 2016 and 2015, cash equivalents consisted of money market mutual funds with brokers.

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 unemployment; workers' compensation; and employee health, dental and short-term disability. 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 carried at other than fair value 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.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition 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 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:

	2016	2015
Interest costs capitalized	$ 671,235	$ 514,819
Interest costs and other financing costs charged to expense	3,174,351	4,088,928
Total interest incurred	$ 3,845,586	$ 4,603,747

Prepaid Insurance on Debt Financing

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

Compensated Absences

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

Defined Benefit Pension Plan

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

Deferred Outflows and Inflows of Resources

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

At June 30, 2016 and 2015, the deferred inflows and outflows of resources reported by the Authority on the accompanying balance sheets consisted of the following items:

	2016	2015
Deferred inflows related to pensions	$ 105,769	$ 150,970
Loss on defeasance of long-term debt, net	$ 1,296,129	$ 1,484,035
Deferred outflows related to pensions	4,839,970	1,745,769
Total deferred outflows	$ 6,136,099	$ 3,229,804

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consist 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 its 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 revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

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

Income Taxes

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

Foundation

The Authority is the beneficiary of Comanche County Memorial Hospital Foundation (the Foundation), a separate legal entity with its own board of directors. 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.

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma’s Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is retroactive to July 1, 2011, and is currently scheduled to sunset on December 31, 2020. The SHOPP is designed to assess Oklahoma hospitals a supplemental hospital offset fee which is placed in pools after receiving federal matching funds. The total fees and matching funds are then allocated to hospitals as directed by legislation.

SHOPP revenue is recorded as part of net patient service revenue and 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, 2016 and 2015, represent the approximate amounts received and paid by the Authority. The annual amounts to be received and paid by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds. Based on the current information available, the annual net benefit to the Authority over the term of the SHOPP is not expected to be materially different from the net amounts received in 2016 and 2015.

	2016	2015
SHOPP funds received	$ 11,454,000	$ 10,933,000
SHOPP assessment fees paid	5,460,000	5,319,000
Net SHOPP benefit	$ 5,994,000	$ 5,614,000

Electronic Health Records Incentive Programs

The Electronic Health Records Incentive Programs, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provide 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 on a statutory formula, as determined by the state, which is approved by CMS. Payments under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based on an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the programs.

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.

CCMH attested to meeting the second-year requirements under the Medicare and Medicaid programs during the year ended June 30, 2015. CCMH attested to meeting the third-year requirements under the Medicare and Medicaid programs during the year ended June 30, 2016. Tillman attested to meeting the second-year requirements under the Medicare program during the year ended June 30, 2015. Tillman attested to meeting the third-year requirements under the Medicare program during the year ended June 30, 2016. The revenue related to these programs for the years ended June 30, 2016 and 2015, which is included in other revenue on the accompanying statements of revenues, expenses and changes in net position, is summarized below:

	2016	2015
Medicare Hospital Program Revenue	$ 1,267,000	$ 2,380,000
Medicaid Hospital Program Revenue	164,000	643,000
Medicare and Medicaid Physician Program Revenue	412,000	279,000
Total	$ 1,843,000	$ 3,302,000

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue

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

- **Medicare** – Substantially all inpatient acute care services and outpatient services rendered to Medicare program beneficiaries, including physician services, are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. CCMH, MTNC, LCHC and Tillman are reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor.

- **Medicaid –** CCMH, MTNC, LCHC and Tillman have also been reimbursed 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.

Approximately 67% and 68% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, the Authority received approximately $1,912,000 and $1,061,000, 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, 2016 and 2015, none of the Authority's bank balances of approximately $13,080,000 and $14,869,000, respectively, were exposed to custodial credit risk. At June 30, 2016 and 2015, the Authority'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 an investment policy related to its investment portfolio. This policy does not apply to investments held under trustee agreements related to bond indentures.

At June 30, 2016 and 2015, the Authority had the following investments and maturities:

	June 30, 2016				
		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
Mortgage- and asset-backed securities of U.S. agencies	$ 23,498,371	$ 3,754,775	$ 19,743,596	$ -	$ -
Equity securities	153,452	153,452	-	-	-
Money market mutual funds	18,775,441	18,775,441	-	-	-
	42,427,264	$ 22,683,668	$ 19,743,596	$ -	$ -
Accrued investment income	70,854				
	$ 42,498,118				

	June 30, 2015				
		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
Mortgage- and asset-backed securities of U.S. agencies	$ 23,678,558	$ 8,061,433	$ 15,617,125	$ -	$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Equity securities	188,256	188,256	-	-	-
Money market mutual funds	22,295,200	22,295,200	-	-	-
	48,363,304	$ 30,544,889	$ 15,617,125	$ -	$ 2,201,290
Accrued investment income	71,760				
	$ 48,435,064				

- **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 held by trustee under a bond indenture as of June 30, 2015, was redeemed during the year ended June 30, 2016, and had 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.

- **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, certificates of deposit and money market mutual funds are acceptable security types under the Authority's investment policy. At June 30, 2016 and 2015, the Authority's investments not directly guaranteed by the U.S. government were rated as follows:

	2016		2015	
Type	**Moody's**	**S & P**	**Moody's**	**S & P**
Mortgage- and asset-backed securities of U.S. agencies	Aaa	AA+	Not rated to Aaa	AA+
Repurchase agreement	--	--	Aaa	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, 2016, the Authority's investments in mortgage- and asset-backed securities are held by counterparties in other than the Authority's name. At June 30, 2015, the Authority's investments in mortgage- and asset-backed securities and all of the underlying securities for the Authority's investment in the repurchase agreement are held by 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, money market mutual funds and certificates of deposit fully covered by FDIC limits. The Authority's investment policy does not place a limit on the amount that may be invested in any one issuer.

At June 30, 2016, the following investments exceeded 5% of the total fair value of all investments:

Investment	**Fair Value**	**Percentage of Total**
Federal Home Loan Mortgage Corporation	$ 9,814,413	23.1%
Federal National Mortgage Association	$ 6,019,791	14.2%
Federal Home Loan Bank	$ 6,163,627	14.5%

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

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

Summary of Carrying Values

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

	2016	2015
Carrying value		
Deposits	$ 11,458,633	$ 11,868,153
Investments	42,498,118	48,435,064
	$ 53,956,751	$ 60,303,217
Included in the following balance sheet captions		
Cash and cash equivalents	$ 16,676,837	$ 15,355,161
Restricted cash and investments – current	6,192,911	5,322,643
Noncurrent cash and investments	31,016,149	39,553,653
Accrued investment income	70,854	71,760
	$ 53,956,751	$ 60,303,217

Investment Income

Investment income for the years ended June 30 consisted of:

	2016	2015
Interest and dividend income	$ 546,551	$ 463,064
Net increase (decrease) in fair value of investments	69,600	(25,298)
	$ 616,151	$ 437,766

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 consisted of:

	2016	2015
Medicare	$ 10,699,690	$ 12,886,821
Medicaid	5,047,683	3,322,600
Other third-party payers	20,721,022	18,766,766
Patients	47,216,888	52,378,117
	83,685,283	87,354,304
Less allowance for uncollectible accounts	46,061,000	46,576,000
	$ 37,624,283	$ 40,778,304

Note 5: Capital Assets

Capital assets activity for the years ended June 30 was:

	2016				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 3,984,794	$ -	$ -	$ -	$ 3,984,794
Land improvements	9,138,813	-	-	71,326	9,210,139
Buildings and improvements	141,556,360	46,105	(20,708)	2,286,117	143,867,874
Equipment	141,259,727	3,058,195	(217,116)	321,641	144,422,447
Construction in progress	11,969,477	12,554,467	(618)	(2,679,084)	21,844,242
	307,909,171	15,658,767	(238,442)	-	323,329,496
Less accumulated depreciation					
Land improvements	6,540,648	357,119	-	-	6,897,767
Buildings and improvements	79,782,755	4,414,539	-	-	84,197,294
Equipment	105,452,275	7,918,236	(185,698)	-	113,184,813
	191,775,678	12,689,894	(185,698)	-	204,279,874
Capital assets, net	$ 116,133,493	$ 2,968,873	$ (52,744)	$ -	$ 119,049,622

	2015				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 3,695,084	$ 289,710	$ -	$ -	$ 3,984,794
Land improvements	8,539,298	654	-	598,861	9,138,813
Buildings and improvements	123,610,611	464,478	-	17,481,271	141,556,360
Equipment	135,615,553	3,933,797	(2,178,749)	3,889,126	141,259,727
Construction in progress	20,582,482	13,356,253	-	(21,969,258)	11,969,477
	292,043,028	18,044,892	(2,178,749)	-	307,909,171
Less accumulated depreciation					
Land improvements	6,130,019	410,629	-	-	6,540,648
Buildings and improvements	75,737,748	4,045,007	-	-	79,782,755
Equipment	99,530,347	7,715,192	(1,793,264)	-	105,452,275
	181,398,114	12,170,828	(1,793,264)	-	191,775,678
Capital assets, net	$ 110,644,914	$ 5,874,064	$ (385,485)	$ -	$ 116,133,493

Note 6: Medical Malpractice Claims

The Authority purchases medical malpractice insurance for services under a claims-made policy on a fixed premium basis. 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. At June 30, 2016 and 2015, the Authority accrued approximately $350,000 based on its claims experience for these claims. It is reasonably possible that these estimates could change materially in the near term.

Because the Authority is a component unit of Comanche County, Oklahoma, management believes the limit of liability for any individual tort claim not covered by insurance would be limited to $125,000 under Oklahoma state law.

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 the Authority has 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 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 the Authority's estimate will change by a material amount in the near term.

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

	2016	
	Employee Health and Dental Benefits	**Workers' Compensation**
Balance, beginning of year	$ 1,145,651	$ 1,183,586
Current year claims incurred and changes in estimates for claims incurred in prior years	8,250,629	606,479
Claims and expenses paid	(8,067,910)	(788,753)
Balance, end of year	$ 1,328,370	$ 1,001,312

	2015	
	Employee Health and Dental Benefits	**Workers' Compensation**
Balance, beginning of year	$ 1,246,214	$ 1,413,881
Current year claims incurred and changes in estimates for claims incurred in prior years	8,936,726	896,479
Claims and expenses paid	(9,037,289)	(1,126,774)
Balance, end of year	$ 1,145,651	$ 1,183,586

In June 2016 and 2015, the Oklahoma Workers' Compensation Court required the Authority to post collateral for self-insured claims in the form of letters of credit with a bank in the amounts of $792,000 and $1,150,000, respectively, in the event the Authority was unable to pay its claims. As of the date of the Independent Auditor's Report, no amounts have been drawn on these letters of credit.

Note 8: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30, 2016 and 2015:

	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2012A Revenue Bonds	$ 36,866,689	$ -	$ (1,025,482)	$ 35,841,207	$ 1,051,425
Series 2012B Revenue Bonds	9,830,000	-	-	9,830,000	645,000
Series 2015 Revenue Bonds	45,236,143	-	(3,480,693)	41,755,450	3,189,497
Note payable to bank (A)	215,750	-	(215,750)	-	-
Note payable to bank (B)	9,330,613	-	(1,696,169)	7,634,444	1,753,627
Note payable to third party	144,409	-	(33,678)	110,731	34,289
Capital lease obligations	421,411	158,912	(458,145)	122,178	50,432
Total long-term debt	102,045,015	158,912	(6,909,917)	95,294,010	6,724,270
Other long-term liabilities					
Estimated self-insurance costs	1,183,586	606,479	(788,753)	1,001,312	762,312
Deferred compensation plans	1,793,783	71,034	(18,774)	1,846,043	1,018,803
Total long-term obligations	$ 105,022,384	$ 836,425	$ (7,717,444)	$ 98,141,365	$ 8,505,385

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

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 included interest at 4.375% to 5.25%, payable semiannually beginning July 1, 2006. Principal was payable in annual installments beginning July 1, 2014, and continuing through July 1, 2023. All the bonds still outstanding were eligible to be redeemed at the Authority's option on or after July 1, 2016, at a price of par plus accrued interest to the date of redemption. The bonds were secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. Payments of principal and interest were also secured by an insurance policy issued by a commercial insurer. In April 2015, the Series 2005 Revenue Bonds were paid off using a portion of the proceeds provided by the Series 2015 Hospital Revenue Refunding Bonds (see below).

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

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

When the Series 2012A Revenue Bonds were issued, the bonds were sold at a premium of approximately $2,162,000. At June 30, 2016 and 2015, the outstanding balance of the Series 2012A Revenue Bonds was as follows:

	2016	2015
Principal amount	$ 34,300,000	$ 35,180,000
Plus unamortized premium	1,541,207	1,686,689
Net amount outstanding	$ 35,841,207	$ 36,866,689

- 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. The Authority is required to make monthly deposits to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2022, at a redemption price of 100%. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement.

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

  When the Series 2015 Revenue Bonds were issued, the bonds were sold at a premium of approximately $3,754,000. At June 30, 2016 and 2015, the outstanding balance of the Series 2015 Revenue Bonds was as follows:

	2016	2015
Principal amount	$ 38,610,000	$ 41,575,000
Plus unamortized premium	3,145,450	3,661,143
Net amount outstanding	$ 41,755,450	$ 45,236,143

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

In April 2015, the Authority issued the Series 2015 Revenue Bonds in the aggregate amount of $41,575,000 which, along with other available funds, were used to refund the outstanding Series 2005 Revenue Bonds, reduce the outstanding balance on note payable to bank (B) and borrow new funds for construction projects. Aggregate cash flows on the refunded Series 2005 Revenue Bonds and the note payable to bank (B) from the refunding date through maturity of the Series 2015 Revenue Bonds total approximately $38,911,000 while aggregate cash flows for the Series 2015 Revenue Bonds total approximately $40,588,000 resulting in a negative net cash flow differential for the refunding transaction of approximately $1,677,000. The economic loss (generally defined as the present value of the net cash flow discounted at the effective interest rate of the new debt) equals approximately $1,256,000. The 2015 advance refunding transaction resulted in an accounting loss of approximately $222,000, which is recorded as deferred outflows 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 advance refundings mentioned above, including the prior year refunding transaction, resulted in an accounting loss on the extinguishment of the long-term debt. This loss on refunding is shown as deferred outflows 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, 2016, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2017	$ 8,913,123	$ 4,885,922	$ 4,027,201
2018	8,883,860	5,048,099	3,835,761
2019	8,821,995	5,198,542	3,623,453
2020	8,785,897	5,391,665	3,394,232
2021	8,728,338	5,577,541	3,150,797
2022–2026	37,881,252	26,141,082	11,740,170
2027–2031	29,651,422	24,062,146	5,589,276
2032–2036	8,069,398	6,692,104	1,377,294
2037–2041	3,656,286	3,029,030	627,256
2042–2043	1,460,664	1,400,526	60,138
	$ 124,852,235	$ 87,426,657	$ 37,425,578

Note Payable to Bank (A)

The first note payable to bank was in the original amount of $2,300,000 and was due March 10, 2016, with principal and interest at 5% payable monthly. The note was secured by collateral assignments of leases. This note payable was paid in full during the year ended June 30, 2016.

Note Payable to Bank (B)

The second 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%.

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

At June 30, 2015, the Authority had borrowed approximately $11,851,000 of the amended note. No additional amounts were borrowed on this note payable through June 30, 2016.

The debt service requirements for the Authority's note payable to bank as of June 30, 2016, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2017	$ 1,978,708	$ 1,753,627	$ 225,081
2018	1,978,707	1,812,238	166,469
2019	1,978,708	1,872,808	105,900
2020	1,978,708	1,935,319	43,389
2021	261,425	260,452	973
	$ 8,176,256	$ 7,634,444	$ 541,812

Note Payable to Third Party

The note payable to third party is due July 1, 2019, including principal and interest of 1.8% annually, payable monthly. The note is secured by a mortgage of real property. The debt service requirements for the Authority's note payable to third party as of June 30, 2016, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2017	$ 36,000	$ 34,289	$ 1,711
2018	36,000	34,911	1,089
2019	36,000	35,545	455
2020	6,000	5,986	14
	$ 114,000	$ 110,731	$ 3,269

Capital Lease Obligations

The Authority is obligated under a lease for equipment that is accounted for as a capital lease. Capital assets acquired using capital leases at June 30 consisted of the following:

	2016	2015
Capital assets, cost	$ 158,912	$ 4,000,000
Less accumulated depreciation	26,485	3,597,650
	$ 132,427	$ 402,350

The following is a schedule by year of future minimum lease payments under the capital lease, including interest at an imputed rate of 10.72% together with the present value of the future minimum lease payments as of June 30, 2016:

Year Ending June 30,		
2017	$	61,098
2018		61,098
2019		15,926
Total minimum lease payments		138,122
Less amount representing interest		15,944
Present value of future minimum lease payments	$	122,178

Revolving Line of Credit

In October 2015, the Authority obtained a $5,000,000 revolving bank line of credit for operations. At June 30, 2016, there were no outstanding balances borrowed against this line. In October 2016, subsequent to year-end, the revolving line of credit was converted to a note payable to bank in the amount of $4,000,000 maturing October 1, 2026. This note payable to bank is payable monthly, including interest at 3.25%, and is collateralized by all pledged revenues of the Authority.

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 $1,545,000 and $1,584,000 for 2016 and 2015, 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 care, the Authority also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, community educational services, ambulance services, rural clinics and various support groups.

Note 10: Pension Plan

Plan Description

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

Benefits Provided

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

The employees covered by the Plan at June 30, 2016 and 2015, are:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	279	245
Inactive employees entitled to but not yet receiving benefits	241	243
Active employees	1,309	1,246
	1,829	1,734

Contributions

The Authority's governing body has the authority to establish and amend the contribution requirements of the Authority and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2016 and 2015, the Authority contributed approximately $2,315,000 and $2,425,000, respectively, to the Plan. Participants do not contribute to the Plan.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2016 and 2015, for the years then ended, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the June 30, 2016 and 2015, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2016	2015
Inflation	2%	2.5%
Salary increase (average, including inflation)	3%	3%
Investment rate of return (net of pension plan investment expense) and including inflation	7%	7%

Mortality rates were based on the 2016 and 2015 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female.

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

	Target Allocation	Long-Term Expected Rate of Return
Asset Class		
Domestic stocks – large cap	17.43%	8.80%
Domestic stocks – mid cap	7.12%	9.10%
Domestic stocks – small cap	4.03%	9.55%
International stocks	15.66%	9.20%
Real estate	5.66%	8.35%
Treasury inflation-protected securities	1.35%	4.10%
Core bond	35.80%	4.25%
High yield bonds	12.12%	6.30%
Cash and cash equivalents	0.83%	1.80%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75% and 7.00%, for the years ended June 30, 2016 and 2015, respectively. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability are:

	2016		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	$ 57,727,344	$ 41,874,259	$ 15,853,085
Changes for the year			
Service cost	682,446	-	682,446
Interest	3,984,688	-	3,984,688
Differences between expected and actual experience	252,114	-	252,114
Contributions – employer	-	2,315,000	(2,315,000)
Net investment income	-	402,171	(402,171)
Benefit payments	(2,882,449)	(2,882,449)	-
Administrative expense	-	(73,190)	73,190
Change of assumptions	1,756,164	-	1,756,164
Other changes	11,184	-	11,184
Net changes	3,804,147	(238,468)	4,042,615
Balance, end of year	$ 61,531,491	$ 41,635,791	$ 19,895,700

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	2015		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	$ 55,873,453	$ 41,252,552	$ 14,620,901
Changes for the year			
Service cost	637,179	-	637,179
Interest	3,863,517	-	3,863,517
Differences between expected and actual experience	(196,171)	-	(196,171)
Contributions – employer	-	2,425,000	(2,425,000)
Net investment income	-	750,448	(750,448)
Benefit payments	(2,509,568)	(2,509,568)	-
Administrative expense	-	(44,173)	44,173
Change of assumptions	58,934	-	58,934
Net changes	1,853,891	621,707	1,232,184
Balance, end of year	$ 57,727,344	$ 41,874,259	$ 15,853,085

The net pension liability of the Authority has been calculated using a discount rate of 6.75%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	$ 27,577,720	$ 19,895,700	$ 13,534,953

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

For the years ended June 30, 2016 and 2015, the Authority recognized pension expense of approximately $3,218,000 and $2,127,000, respectively. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 193,619	$ 105,769
Change in assumptions	1,380,477	-
Net difference between projected and actual earnings on pension plan investments	3,265,874	-
Total	$ 4,839,970	$ 105,769

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 150,970
Change in assumptions	45,355	-
Net difference between projected and actual earnings on pension plan investments	1,700,414	-
Total	$ 1,745,769	$ 150,970

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2016, related to pensions will be recognized in pension expense as follows:

2017	$ 1,357,079
2018	1,357,079
2019	1,377,950
2020	642,093
Total	$ 4,734,201

Pension Plan Fiduciary Net Position

As of June 30, 2016 and 2015, the Plan's fiduciary net position was comprised of the following:

	2016	2015
Pooled investments, at fair value		
Equities	$ 19,551,626	$ 19,252,291
Fixed income	17,238,656	17,789,383
Balanced asset allocation	1,904,291	1,891,700
Other	2,941,218	2,940,885
Total pooled investments, at fair value	$ 41,635,791	$ 41,874,259
Total plan fiduciary net position	$ 41,635,791	$ 41,874,259

Investment Policy – Investment policy decisions are established and maintained by the Administrative Committee charged with overseeing the pension plan, as authorized by the Authority's Board of Trustees. The Administrative Committee employs and selects investment managers.

The primary goal of a pension fund is to help pay the cost of the pension plan while providing adequate security to meet the benefits promised under the pension plan. As a consequence, two important dimensions of a pension plan's investment program are expected return and expected risk.

The pension plan trustees diversify pension plan investments among asset classes, recognizing that there is a relationship between the level of risk assumed in an investment program and the level of return that should be expected. Appropriate diversification better enables to balance risk and return.

Investment Rate of Return – The annual money-weighted rate of return on pension plan investments, net of expenses, which expresses net investment performance adjusted for changing amounts actually invested each month was approximately 1.0% for the 12 months ended June 30, 2016.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

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. The Plan's investment policy does not address how investments are to be held.

Concentration of Credit Risk – The Plan does not have a policy to limit its holdings in any one issuer. At June 30, 2016 and 2015, all the Plan's investments were held through the Plan's investment manager, The Principal Group.

At June 30, 2016 and 2015, the Plan's investments had the following maturities:

	June 30, 2016				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Pooled investments, at fair value					
Equities	$ 19,551,626	$ 19,551,626	$ -	$ -	$ -
Fixed income	17,238,656	971,168	2,827,409	10,512,998	2,927,081
Balanced asset allocation	1,904,291	1,197,386	-	706,905	-
Other	2,941,218	1,679,737	1,261,481	-	-
	$ 41,635,791	$ 23,399,917	$ 4,088,890	$ 11,219,903	$ 2,927,081

	June 30, 2015				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Pooled investments, at fair value					
Equities	$ 19,252,291	$ 19,252,291	$ -	$ -	$ -
Fixed income	17,789,383	1,505,990	2,838,380	10,506,573	2,938,440
Balanced asset allocation	1,891,700	1,189,468	-	702,232	-
Other	2,940,885	1,679,547	1,261,338	-	-
	$ 41,874,259	$ 23,627,296	$ 4,099,718	$ 11,208,805	$ 2,938,440

Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

The fair value of the pension plan assets at June 30, 2016 and 2015, was as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016				
Pooled Investments by fair Value Level				
Equities	$ 19,551,626	$ -	$ 19,551,626	$ -
Fixed income	17,238,656	-	17,238,656	-
Balanced asset allocation	1,904,291	-	1,904,291	
Other	2,941,218	-	2,941,218	-
Total pooled investments by fair value level	$ 41,635,791	$ -	$ 41,635,791	$ -
2015				
Pooled Investments by Fair Value Level				
Common stocks	$ 19,252,291	$ -	$ 19,252,291	$ -
Fixed income	17,789,383	-	17,789,383	
Balanced asset allocation	1,891,700	-	1,891,700	
Other	2,940,885	-	2,940,885	-
Total pooled investments by fair value level	$ 41,874,259	$ -	$ 41,874,259	$ -

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Plan did not hold any Level 3 securities at June 30, 2016 or 2015.

Note 11: Postretirement Health Care Plan

Plan Description

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

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

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

Funding Policy

The plan is a pay-as-you-go plan and, therefore, is not funded. The Authority funds the plan on a cash basis as benefits are paid. No assets have been segregated or restricted to provide plan benefits. During the years ended June 30, 2016 and 2015, the Authority contributed $23,090 and $21,447, respectively, for current premiums. Of the two plan participants at June 30, 2016 and 2015, one is eligible to receive benefits.

Annual OPEB Cost and Net OPEB Obligation

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

	2016	2015
Normal cost	$ (29,519)	$ (29,505)
Amortization of UAAL	36,384	36,384
ARC	6,865	6,879
Interest on prior year net OPEB obligation	6,593	6,660
Adjustment to ARC	18,386	16,648
Annual OPEB cost	31,844	30,187
Contributions made	(23,090)	(21,447)
Increase in net OPEB obligation	8,754	8,740
Net OPEB obligation, beginning of year	269,727	260,987
Net OPEB obligation, end of year	$ 278,481	$ 269,727

The ARCs for 2016 and 2015 were determined as part of actuarial valuations on July 1, 2015 and 2014, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions for 2016 and 2015 included a 3.0% 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, 2015, was seven years. The Authority's net OPEB obligation is included in accrued liabilities on the accompanying financial statements at June 30, 2016 and 2015.

Trend Information

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Cost Contributed	Net OPEB Obligation
2016	$ 31,844	73%	$ 278,481
2015	$ 30,187	71%	$ 269,727
2014	$ 39,358	95%	$ 260,987

Funded Status and Funding Progress

The following is funded status information as of July 1, 2015, 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
$ -	$ 278,481	$ 278,481	0.0%	$ 953,723	29.2%

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

Note 12: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

		Fair Value Measurements Using		
Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016				
Investments by Fair Value Level				
Mortgage- and asset-backed securities of U.S. agencies	$ 23,498,371	$ 9,814,413	$ 13,683,958	$ -
Equity securities	153,452	153,452	-	-
Money market mutual funds	18,775,441	18,775,441	-	-
Total investments by fair value level	$ 42,427,264	$ 28,743,306	$ 13,683,958	$ -
2015				
Investments by Fair Value Level				
Mortgage- and asset-backed securities of U.S. agencies	$ 23,678,558	$ 9,944,278	$ 13,734,280	$ -
Repurchase agreement	2,201,290	-	-	2,201,290
Equity securities	188,256	188,256	-	-
Money market mutual funds	22,295,200	22,295,200	-	-
Total investments by fair value level	$ 48,363,304	$ 32,427,734	$ 13,734,280	$ 2,201,290

Note 13: City Appropriations

A 1% sales tax ordinance with no established expiration date was enacted March 1, 1980, by the City of Frederick, Oklahoma, originally to provide unrestricted revenue appropriations to be used by Tillman for the operations of the Tillman hospital facility.

Note 14: Related-Party Information

Comanche County Memorial Hospital Foundation, Inc.

The Foundation, a not-for-profit corporation with a separate board of directors, was established in February 1993 to support the educational and charitable purposes of CCMH. CCMH provides administrative services and supplies to the Foundation. Included in due from related parties on the accompanying balance sheets at June 30, 2016 and 2015, are $0 and $14,048, respectively, owed by the Foundation as a result of these purchases and services.

Cancer Centers of Southwest Oklahoma, LLC

As discussed below, the Authority is a member of Cancer Centers of Southwest Oklahoma, LLC (CCSO). For the years ended June 30, 2016 and 2015, the Authority recorded revenue from CCSO in the amounts of approximately $7,800,000 and $6,396,000, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2016 and 2015, CCSO owed the Authority approximately $1,250,000 and $802,000, 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, 2016 and 2015, the Authority incurred approximately $20,380,000 and $17,738,000, respectively, of expense and owed CCSO approximately $2,741,000 and $2,251,000 at June 30, 2016 and 2015, respectively, related to these services. These amounts are included in the accompanying balance sheets in due to related parties.

Note 15: 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 $2,404,117 and $2,473,389 at June 30, 2016 and 2015, respectively, and is included in other assets on the accompanying balance sheets. CCSO was formed to develop and operate three facilities specializing in providing cancer treatment services for the residents of southwest Oklahoma.

Financial position and results of operations summarized from CCSO's audited financial statements for the fiscal years ended June 30, 2016 and 2015, are shown below:

	2016	2015
Current assets	$ 11,802,801	$ 11,041,374
Capital assets and other long-term assets, net	19,714,119	21,432,687
Total assets	31,516,920	32,474,061
Total liabilities	26,257,423	27,062,809
Net position	$ 5,259,497	$ 5,411,252
Operating revenues	$ 34,082,464	$ 29,660,283
Excess of revenues over expenses	$ 1,548,245	$ 620,105

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

Note 16: 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. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 17: Combining Component Unit Information

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

The following tables include condensed combining balance sheet information for the Authority and its component unit as of June 30, 2016 and 2015:

	June 30, 2016			
	Authority	Tillman	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	$ 16,162,298	$ 514,539	$ -	$ 16,676,837
Restricted cash and investments – current	6,192,911	-	-	6,192,911
Patient accounts receivable, net	37,366,573	257,710	-	37,624,283
Accrued investment income	70,854	-	-	70,854
Due from related parties	5,140,255	-	(3,890,444)	1,249,811
Other current assets	9,871,845	310,859	(72,392)	10,110,312
Total current assets	74,804,736	1,083,108	(3,962,836)	71,925,008
Noncurrent Cash and Investments	31,016,149	-	-	31,016,149
Capital Assets, Net	117,856,448	1,193,174	-	119,049,622
Other Assets	9,376,495	-	-	9,376,495
Deferred Outflows of Resources	6,533,373	-	(397,274)	6,136,099
Total assets and deferred outflows of resources	$ 239,587,201	$ 2,276,282	$ (4,360,110)	$ 237,503,373

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2016 and 2015

	June 30, 2016			
	Authority	Tillman	Eliminations	Combined Balance
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Current maturities of long-term debt	$ 6,724,270	$ -	$ -	$ 6,724,270
Accounts payable	24,661,647	545,957	(3,450,419)	21,757,185
Accrued expenses	14,426,128	267,477	-	14,693,605
Accrued interest payable	2,036,285	-	-	2,036,285
Due to related parties	3,326,137	76,294	(512,417)	2,890,014
Estimated amounts due to third-party payers	1,228,657	167,340	-	1,395,997
Total current liabilities	52,403,124	1,057,068	(3,962,836)	49,497,356
Long-Term Debt	88,569,740	-	-	88,569,740
Net Pension Liability	19,895,700	-	-	19,895,700
Other Long-Term Obligations	1,066,240	-	-	1,066,240
Total liabilities	161,934,804	1,057,068	(3,962,836)	159,029,036
Deferred Inflows of Resources	503,043	-	(397,274)	105,769
Net Position				
Net investment in capital assets	37,758,681	1,193,174	-	38,951,855
Restricted – expendable for debt service	5,994,891	-	-	5,994,891
Unrestricted	33,395,782	26,040	-	33,421,822
Total net position	77,149,354	1,219,214	-	78,368,568
Total liabilities, deferred inflows of resources and net position	$ 239,587,201	$ 2,276,282	$ (4,360,110)	$ 237,503,373

	June 30, 2015			
	Authority	Tillman	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	$ 14,237,683	$ 1,117,478	$ -	$ 15,355,161
Restricted cash and investments – current	5,322,643	-	-	5,322,643
Patient accounts receivable, net	39,947,273	831,031	-	40,778,304
Accrued investment income	71,760	-	-	71,760
Due from related parties	2,719,982	-	(1,903,983)	815,999
Other current assets	10,581,731	457,401	(54,222)	10,984,910
Total current assets	72,881,072	2,405,910	(1,958,205)	73,328,777
Noncurrent Cash and Investments	39,450,809	102,844	-	39,553,653
Capital Assets, Net	114,444,554	1,688,939	-	116,133,493
Other Assets	10,055,276	-	-	10,055,276
Deferred Outflows of Resources	3,356,331	-	(126,527)	3,229,804
Total assets and deferred outflows of resources	$ 240,188,042	$ 4,197,693	$ (2,084,732)	$ 242,301,003

	June 30, 2015			
	Authority	Tillman	Eliminations	Combined Balance
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Current maturities of long-term debt	$ 6,865,654	$ -	$ -	$ 6,865,654
Accounts payable	21,631,603	504,315	(1,547,372)	20,588,546
Accrued expenses	12,981,524	245,675	-	13,227,199
Accrued interest payable	1,584,958	-	-	1,584,958
Due to related parties	2,716,396	246,699	(410,833)	2,552,262
Estimated amounts due to third-party payers	2,501,160	151,112	-	2,652,272
Total current liabilities	48,281,295	1,147,801	(1,958,205)	47,470,891
Long-Term Debt	95,179,361	-	-	95,179,361
Net Pension Liability	15,853,085	-	-	15,853,085
Other Long-Term Obligations	2,243,783	-	-	2,243,783
Total liabilities	161,557,524	1,147,801	(1,958,205)	160,747,120
Deferred Inflows of Resources	277,497	-	(126,527)	150,970
Net Position				
Net investment in capital assets	45,067,669	1,688,939	-	46,756,608
Restricted – expendable for debt service	5,434,855	-	-	5,434,855
Unrestricted	27,850,497	1,360,953	-	29,211,450
Total net position	78,353,021	3,049,892	-	81,402,913
Total liabilities, deferred inflows of resources and net position	$ 240,188,042	$ 4,197,693	$ (2,084,732)	$ 242,301,003

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2016 and 2015

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Authority and its component unit for the years ended June 30, 2016 and 2015:

	Year Ended June 30, 2016			
	Authority	Tillman	Eliminations	Combined Balance
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	$ 246,126,775	$ 4,374,694	$ -	$ 250,501,469
Grant revenue	1,912,325	-	-	1,912,325
Other	9,357,148	287,525	(75,183)	9,569,490
Total operating revenues	257,396,248	4,662,219	(75,183)	261,983,284
Operating Expenses				
Salaries, wages and employee benefits	125,696,063	4,164,779	-	129,860,842
Purchased services and professional fees	60,531,731	1,050,203	(18,000)	61,563,934
Medical supplies and drugs	35,341,919	566,292	-	35,908,211
Other operating expenses	24,594,595	404,549	(57,183)	24,941,961
Depreciation and amortization	12,747,765	471,950	-	13,219,715
Total operating expenses	258,912,073	6,657,773	(75,183)	265,494,663
Operating Loss	(1,515,825)	(1,995,554)	-	(3,511,379)
Nonoperating Revenues (Expenses)				
City appropriations – unrestricted	-	164,462	-	164,462
Noncapital grants and gifts	662,792	-	-	662,792
Gain on investment in joint ventures	707,910	-	-	707,910
Investment income	615,737	414	-	616,151
Interest expense and other financing costs	(3,174,351)	-	-	(3,174,351)
Total nonoperating revenues (expenses)	(1,187,912)	164,876	-	(1,023,036)
Deficiency of Revenues over Expenses Before Capital Grants and Gifts	(2,703,737)	(1,830,678)	-	(4,534,415)
Capital Grants and Gifts	1,500,070	-	-	1,500,070
Change in Net Position	(1,203,667)	(1,830,678)	-	(3,034,345)
Net Position, Beginning of Year	78,353,021	3,049,892	-	81,402,913
Net Position, End of Year	$ 77,149,354	$ 1,219,214	$ -	$ 78,368,568

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2016 and 2015

	Year Ended June 30, 2015			
	Authority	Tillman	Eliminations	Combined Balance
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	$ 240,214,463	$ 5,296,450	$ -	$ 245,510,913
Grant revenue	1,060,800	-	-	1,060,800
Other	8,088,523	1,149,706	(75,183)	9,163,046
Total operating revenues	249,363,786	6,446,156	(75,183)	255,734,759
Operating Expenses				
Salaries, wages and employee benefits	121,187,227	4,707,300	-	125,894,527
Purchased services and professional fees	55,276,509	1,460,835	(18,000)	56,719,344
Medical supplies and drugs	33,571,593	676,739	-	34,248,332
Other operating expenses	25,267,919	776,363	(1,805,787)	24,238,495
Depreciation and amortization	12,246,228	495,846	-	12,742,074
Total operating expenses	247,549,476	8,117,083	(1,823,787)	253,842,772
Operating Income (Loss)	1,814,310	(1,670,927)	1,748,604	1,891,987
Nonoperating Revenues (Expenses)				
City appropriations – unrestricted	-	232,199	-	232,199
Noncapital grants and gifts	671,912	-	-	671,912
Gain on investment in joint ventures	283,512	-	-	283,512
Investment income	436,518	1,248	-	437,766
Interest expense and other financing costs	(4,088,928)	-	-	(4,088,928)
Total nonoperating revenues (expenses)	(2,696,986)	233,447	-	(2,463,539)
Excess (Deficiency) of Revenues over Expenses and Change in Net Position	(882,676)	(1,437,480)	1,748,604	(571,552)
Capital Grants and Gifts	1,748,604	-	(1,748,604)	-
Change in Net Position	865,928	(1,437,480)	-	(571,552)
Net Position, Beginning of Year	77,487,093	4,487,372	-	81,974,465
Net Position, End of Year	$ 78,353,021	$ 3,049,892	$ -	$ 81,402,913

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2016 and 2015

The following tables include condensed combining statements of cash flows information for the Authority and its component unit for the years ended June 30, 2016 and 2015:

	Year Ended June 30, 2016			
	Authority	Tillman	Eliminations	Combined Balance
Net Cash Provided by (Used in) Operating Activities	$ 14,970,749	$ (694,982)	$ -	$ 14,275,767
Net Cash Provided by Noncapital Financing Activities	662,792	164,462	-	827,254
Net Cash Used in Capital and Related Financing Activities	(22,769,987)	(72,833)	-	(22,842,820)
Net Cash Provided by Investing Activities	9,931,329	414	-	9,931,743
Change in Cash and Cash Equivalents	2,794,883	(602,939)	-	2,191,944
Cash and Cash Equivalents, Beginning of Year	19,560,326	1,117,478	-	20,677,804
Cash and Cash Equivalents, End of Year	$ 22,355,209	$ 514,539	$ -	$ 22,869,748

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

Required Supplementary Information

The Comanche County Hospital Authority

Required Supplementary Information

Schedule of Changes in the Authority's Net Pension Liability and Related Ratios

	2016	2015
Total pension liability		
Service cost	$ 682,446	$ 637,179
Interest	3,984,688	3,863,517
Differences between expected and actual experience	252,114	(196,171)
Change of assumptions	1,756,164	58,934
Benefit payments	(2,882,449)	(2,509,568)
Other changes	11,184	-
Net change in total pension liability	3,804,147	1,853,891
Total pension liability – beginning	57,727,344	55,873,453
Total pension liability – ending (a)	61,531,491	57,727,344
Plan fiduciary net position		
Contributions – employer	2,315,000	2,425,000
Net investment income	402,171	750,448
Benefit payments	(2,882,449)	(2,509,568)
Administrative expense	(73,190)	(44,173)
Net change in plan fiduciary net position	(238,468)	621,707
Plan fiduciary net position – beginning	41,874,259	41,252,552
Plan fiduciary net position – ending (b)	41,635,791	41,874,259
Net pension liability – ending (a) - (b)	$ 19,895,700	$ 15,853,085
Plan fiduciary net position as a percentage of the total pension liability	67.67%	72.54%
Covered employee payroll	$ 56,460,170	$ 51,828,978
Net pension liability as a percentage of covered employee payroll	35.24%	30.59%

Notes to Schedule

Change in assumptions:

- Investment rate of return reduced from 7.00% to 6.75%
- Inflation reduced from 2.50% to 2.25%
- Mortality table updated to IRS Prescribed Mortality – Optional Combined Table for Small Plans – Male and Female – for 2016

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

The Comanche County Hospital Authority
Required Supplementary Information
Schedule of the Authority's Contributions

	2016	2015
Actuarially determined contributions	$ 2,818,799	$ 2,365,504
Contributions in relation to the actuarially determined contribution	2,315,000	2,425,000
Contribution deficiency (excess)	$ 503,799	$ (59,496)
Covered employee payroll	$ 56,460,170	$ 51,828,978
Contributions as a percentage of covered employee payroll	4.10%	4.68%

Notes to Schedule

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

Valuation date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Initial unfunded actuarial accrued liability – 15 years Amendments and assumption changes – 10 years
Remaining amortization period:	Initial unfunded actuarial accrued liability – 14 years Amendments and assumption changes – 9 years
Asset valuation method:	Market Value
Inflation:	2.25%
Salary increases:	2.25%
Investment rate of return:	6.75%
Retirement age:	If hired on or before July 1, 1992 – the later of age 65 or 10 years of vested service If hired after July 1, 1992 – attained age 65
Mortality:	IRS Prescribed Mortality – Optional Combined Table for Small Plans – Male and Female – for 2016

The Comanche County Hospital Authority
Required Supplementary Information
Schedule of Funding Progress
June 30, 2016

Postretirement Health Care Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2015	$ -	$ 278,481	$ 278,481	0.0%	$ 953,723	29.2%
7/1/2014	$ -	$ 269,727	$ 269,727	0.0%	$ 964,822	28.0%
7/1/2013	$ -	$ 260,987	$ 260,987	0.0%	$ 1,175,321	22.2%

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

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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, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-01 to be a material weakness.

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*.

Management's Response to the Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the Authority's management in a separate letter dated December 22, 2016.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Tulsa, Oklahoma
December 22, 2016

The Comanche County Hospital Authority
Schedule of Findings and Responses
Year Ended June 30, 2016

Reference Number	Finding
2016-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal controls to promote accurate recording and classification of accounting transactions. Condition – Management's procedures for recording and classifying accounting transactions and reconciling cash accounts did not always prevent inaccurate recording of transactions. Context – The monthly bank reconciliation process did not result in the timely identification and correction of material reconciling items. Effect – Material items were identified through the reconciliation process but were not corrected in a timely manner resulting in misstatements in the financial statements. Cause – Bank reconciliations performed during the year identified reconciling items that were not properly corrected. Recommendation – Management should ensure that bank reconciliations are performed and reviewed in a timely manner and significant reconciling items investigated and corrected to ensure the financial statements are accurate and free from material misstatement. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and will implement the recommended changes to the bank reconciliation process.