

The Comanche County Hospital Authority

Independent Auditor's Reports and Financial Statements

June 30, 2019 and 2018



The Comanche County Hospital Authority
June 30, 2019 and 2018

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
Balance Sheets	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11
Required Supplementary Information	
Schedule of Changes in the Authority’s Net Pension Liability and Related Ratios	41
Schedule of the Authority’s Pension Contributions	42
Supplementary Information	
Combining Schedules – Balance Sheet Information	43
Combining Schedules – Statement of Revenues, Expenses and Changes in Net Position Information	45
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report	47
Schedule of Findings and Responses	49

Independent Auditor's Report

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of The Comanche County Hospital Authority (the Authority) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our 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.

Combining Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
December 18, 2019

The Comanche County Hospital Authority

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

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, 2019 and 2018. 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) and Lawton Community Health Center (LCHC), which are considered operating divisions of the Authority.

Financial Highlights

- Cash, cash equivalents and investments increased by \$3,676 or 7% in 2019 and decreased by \$4,071 or 7% in 2018.
- Capital assets, net decreased by \$5,142 or 5% in 2019 and by \$4,431 or 4% in 2018.
- Long-term debt decreased by \$7,497 or 8% in 2019 and by \$6,577 or 7% in 2018.
- The Authority reported operating income (loss) of \$(824) and \$2,751 in 2019 and 2018, respectively.
- The Authority's net position increased by \$18 or 0% in 2019 and by \$1,422 or 2% in 2018.

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 increased by \$18 or 0% in 2019 and by \$1,422 or 2% in 2018 as shown in Table 1.

Table 1: Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources and Net Position

	2019	2018	2017
Assets			
Cash, cash equivalents and investments	\$ 56,636	\$ 52,960	\$ 57,031
Patient accounts receivable, net	40,276	38,203	36,846
Other current assets	13,217	15,740	13,234
Capital assets, net	103,885	109,027	113,458
Other assets	5,296	4,676	4,951
Total assets	219,310	220,606	225,520
Deferred Outflows of Resources	6,676	8,844	10,905
Total assets and deferred outflows of resources	\$ 225,986	\$ 229,450	\$ 236,425
Liabilities			
Long-term debt, including current portion	\$ 82,604	\$ 90,101	\$ 96,678
Other liabilities	62,413	58,383	60,158
Total liabilities	145,017	148,484	156,836
Deferred Inflows of Resources	-	15	60
Net Position			
Net investment in capital assets	34,796	32,022	30,018
Restricted – expendable for debt service	6,855	6,470	6,215
Unrestricted	39,318	42,459	43,296
Total net position	80,969	80,951	79,529
Total liabilities, deferred inflows of resources and net position	\$ 225,986	\$ 229,450	\$ 236,425

Cash, cash equivalents and investments increased in 2019 by \$3,676 or 7% as the Authority continued to see strong cash flows from operations coupled with a decline in cash flows from financing activities. In 2019, accounts payable increased by \$6,595 or 37% due primarily to increased contracted professional services. Net pension liability decreased in 2019 by \$2,114 or 10% primarily due to increased Authority contributions in 2019 and strong investment returns.

Cash, cash equivalents and investments decreased in 2018 by \$4,071 or 7% as the Authority continued to see strong cash flows from operations coupled with a decline in cash flows from investing activities. Capital assets, net decreased in 2018 by \$4,431 or 4% due to depreciation in the current year exceeding capital asset additions. Net pension liability decreased in 2018 by \$835 or 4% primarily due to increased Authority contributions in 2018.

Operating Results and Changes in the Authority's Net Position

In 2019, the Authority's net position increased by \$18 or 0%, as shown in Table 2, compared to the increase in net position in 2018 of \$1,422 or 2%.

Table 2: Operating Results and Changes in Net Position

	2019	2018	2017
Operating Revenues			
Net patient service revenue	\$ 273,099	\$ 265,752	\$ 261,136
Grant revenue and other	9,831	9,093	9,239
Total operating revenues	<u>282,930</u>	<u>274,845</u>	<u>270,375</u>
Operating Expenses			
Salaries and wages and employee benefits	139,457	135,288	132,545
Purchased services and professional fees	68,044	61,723	58,542
Medical supplies and drugs	40,657	37,715	38,570
Depreciation and amortization	12,641	12,722	13,316
Supplies and other	22,955	24,646	24,611
Total operating expenses	<u>283,754</u>	<u>272,094</u>	<u>267,584</u>
Operating Income (Loss)	<u>(824)</u>	<u>2,751</u>	<u>2,791</u>
Nonoperating Revenues (Expenses)			
Noncapital grants and gifts	744	459	1,010
Gain on investments in joint ventures	729	307	1,475
Investment income	2,493	421	69
Interest expense and other financing costs	(3,293)	(3,563)	(3,053)
Total nonoperating revenues (expenses)	<u>673</u>	<u>(2,376)</u>	<u>(499)</u>
Capital Grants and Gifts	<u>169</u>	<u>1,047</u>	<u>87</u>
Increase in Net Position	<u>\$ 18</u>	<u>\$ 1,422</u>	<u>\$ 2,379</u>

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.

Operating results for 2019 decreased by \$3,575 compared to the operating income in 2018 of \$2,751. The primary components of the change in operating results are:

- An increase in net patient service revenue of \$7,347 or 3% in conjunction with an increase in patient census and increased charge rates.
- An increase in operating expenses of \$11,661 or 4%, the primary components of which are:
 - An increase in salaries and wages and employee benefits of \$4,169 or 3% in connection with the Authority's annual retention and recruitment efforts, particularly concerning registered nurses and physicians
 - An increase in purchased services and professional fees of \$6,321 or 10% as a result of increases in patient volumes

Operating results for 2018 decreased by \$40 compared to the operating income in 2017 of \$2,791. The primary components of the change in operating results are:

- An increase in net patient service revenue of \$4,616 or 2% in conjunction with an increase in outpatient oncology services
- An increase in operating expenses of \$4,510 or 2%, the primary components of which are:
 - An increase in salaries and wages and employee benefits of \$2,743 or 2% in connection with the Authority's annual retention and recruitment efforts, particularly concerning registered nurses and physicians
 - An increase in purchased services and professional fees of \$3,181 or 5% as a result of increases in patient volumes

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) consist primarily of investment income, gain on investments in joint ventures, noncapital grants and gifts and interest expense. The Authority's total debt in 2019 and 2018 exceeded cash, cash equivalents and investments and, as a result, interest expense exceeded investment income.

The Authority's Cash Flows

Changes in the Authority's cash flows are generally consistent with changes in operating income (loss) and nonoperating revenues (expenses), with the exception of changes in accounts payable in 2019 as described on page 5.

Capital Asset and Debt Administration

Capital Assets

At the end of 2019, the Authority had \$103,885 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2019, the Authority acquired capital assets costing \$7,081.

At the end of 2018, the Authority had \$109,027 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2018, the Authority acquired capital assets costing \$7,712.

Debt

At June 30, 2019 and 2018, the Authority had \$82,604 and \$90,101, respectively, in revenue bonds, notes payable and capital lease obligations outstanding as detailed in *Note 8* to the accompanying financial statements. During 2019, the Authority entered into a capital lease for equipment for \$315. During 2018, the Authority incurred \$837 for the purchase of real estate. At June 30, 2019 and 2018, the Authority's debt rating was 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, 2019 and 2018

Assets and Deferred Outflows of Resources

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 12,013,265	\$ 10,482,926
Restricted cash and investments – current	6,677,449	6,520,011
Patient accounts receivable, net of allowance; 2019 – \$52,136,000, 2018 – \$45,260,000	40,275,683	38,203,470
Accrued investment income	138,317	136,474
Due from related parties	1,247,584	3,088,668
Estimated amounts due from third-party payors	1,331,641	3,079,454
Supplies	7,057,456	5,777,877
Prepaid expenses and other	3,441,653	3,655,575
	<u>72,183,048</u>	<u>70,944,455</u>
Noncurrent Cash and Investments		
Held by trustee for debt service	12,823,912	12,553,526
Less amount required to meet current obligations	<u>6,677,449</u>	<u>6,520,011</u>
	6,146,463	6,033,515
Other long-term investments	<u>31,799,174</u>	<u>29,923,831</u>
	<u>37,945,637</u>	<u>35,957,346</u>
	<u>103,885,058</u>	<u>109,027,064</u>
Capital Assets, Net		
Other Assets		
Investments in joint ventures	3,561,988	3,290,351
Other	<u>1,733,621</u>	<u>1,386,509</u>
	<u>5,295,609</u>	<u>4,676,860</u>
Deferred Outflows of Resources		
	<u>6,676,309</u>	<u>8,843,836</u>
	<u>\$ 225,985,661</u>	<u>\$ 229,449,561</u>

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Current maturities of long-term debt	\$ 8,105,667	\$ 7,699,745
Accounts payable	24,558,409	17,963,228
Accrued expenses	14,296,775	14,152,052
Accrued interest payable	1,722,863	1,837,494
Due to related parties	<u>2,077,532</u>	<u>2,655,211</u>
Total current liabilities	50,761,246	44,307,730
Long-Term Debt	74,498,482	82,401,611
Net Pension Liability	18,910,112	21,024,546
Other Long-Term Obligations	<u>847,252</u>	<u>749,739</u>
Total liabilities	<u>145,017,092</u>	<u>148,483,626</u>
Deferred Inflows of Resources	<u>-</u>	<u>15,367</u>
Net Position		
Net investment in capital assets	34,795,577	32,021,950
Restricted – expendable for debt service	6,854,934	6,469,917
Unrestricted	<u>39,318,058</u>	<u>42,458,701</u>
Total net position	<u>80,968,569</u>	<u>80,950,568</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 225,985,661</u>	<u>\$ 229,449,561</u>

The Comanche County Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2019 – \$68,066,634, 2018 – \$52,596,730	\$ 273,098,940	\$ 265,752,153
Grant revenue	2,325,602	3,001,090
Other	7,505,609	6,091,444
Total operating revenues	282,930,151	274,844,687
Operating Expenses		
Salaries and wages	118,833,920	116,351,852
Employee benefits	20,622,582	18,935,915
Purchased services and professional fees	68,043,804	61,723,051
Medical supplies and drugs	40,657,103	37,715,228
Supplies and other	22,955,527	24,645,636
Depreciation and amortization	12,641,239	12,722,046
Total operating expenses	283,754,175	272,093,728
Operating Income (Loss)	(824,024)	2,750,959
Nonoperating Revenues (Expenses)		
Noncapital grants and gifts	743,528	459,558
Gain on investments in joint ventures	728,802	306,748
Investment income	2,493,411	420,876
Interest expense and other financing costs	(3,292,544)	(3,563,219)
Total nonoperating revenues (expenses)	673,197	(2,376,037)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	(150,827)	374,922
Capital Grants and Gifts	168,828	1,047,100
Increase in Net Position	18,001	1,422,022
Net Position, Beginning of Year	80,950,568	79,528,546
Net Position, End of Year	\$ 80,968,569	\$ 80,950,568

The Comanche County Hospital Authority
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Receipts from and on behalf of patients	\$ 272,810,185	\$ 262,348,575
Payments to suppliers and contractors	(124,690,556)	(124,653,650)
Payments to or on behalf of employees	(139,818,640)	(135,228,936)
Other receipts and payments, net	9,831,211	9,092,534
Net cash provided by operating activities	18,132,200	11,558,523
Noncapital Financing Activities		
Noncapital grants and gifts	743,528	459,558
Net cash provided by noncapital financing activities	743,528	459,558
Capital and Related Financing Activities		
Capital grants and gifts	168,828	1,047,100
Principal paid on long-term debt	(7,278,851)	(6,835,347)
Interest paid on long-term debt	(3,969,707)	(4,232,852)
Proceeds from issuance of long-term debt	-	837,000
Purchase of capital assets	(7,249,696)	(7,686,107)
Proceeds from sale of capital assets	181,033	31,888
Net cash used in capital and related financing activities	(18,148,393)	(16,838,318)
Investing Activities		
Interest on investments	1,020,261	753,353
Distributions from and investments in joint ventures	457,165	365,732
Purchase of investments	(28,985,183)	(31,643,034)
Proceeds from disposition of investments	28,468,199	26,767,974
Net cash provided by (used in) investing activities	960,442	(3,755,975)
Change in Cash and Cash Equivalents	1,687,777	(8,576,212)
Cash and Cash Equivalents, Beginning of Year	17,002,937	25,579,149
Cash and Cash Equivalents, End of Year	\$ 18,690,714	\$ 17,002,937
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 12,013,265	\$ 10,482,926
Cash and cash equivalents in noncurrent cash and investments	6,677,449	6,520,011
Held by trustee for debt service	6,677,449	6,520,011
	\$ 18,690,714	\$ 17,002,937

See Notes to Financial Statements

	<u>2019</u>	<u>2018</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided		
by Operating Activities		
Operating income (loss)	\$ (824,024)	\$ 2,750,959
Depreciation and amortization	12,641,239	12,722,046
Loss on disposal of capital assets	6,351	7,377
Provision for uncollectible accounts	68,066,634	52,596,730
Changes in assets and liabilities		
Patient and other accounts receivable, net	(70,138,847)	(53,954,076)
Supplies and prepaid expenses	(1,065,657)	129,580
Estimated amounts due from third-party payors	1,747,813	(2,166,800)
Accounts payable and accrued expenses	7,407,105	(1,618,555)
Change in pension liability	(604,374)	526,538
Due to/from related parties	1,263,405	370,131
Other assets and liabilities	(367,445)	194,593
	<u>\$ 18,132,200</u>	<u>\$ 11,558,523</u>
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 413,840	\$ 983,528
Capital lease obligations incurred for capital assets	\$ 315,185	\$ -

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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 the County 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 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 146-bed nursing facility in Lawton, Oklahoma.

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. All transactions and accounts between CCMH, MTNC and LCHC have been eliminated in the accompanying financial statements.

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 and deferred outflows of resources and 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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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, liabilities and deferred inflows and outflows 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, 2019 and 2018, 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.

Investments and Investment Income

The investments in joint ventures are reported on the equity method of accounting. All other 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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, 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 payors 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 and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

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

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Compensated Absences

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, the deferred inflows and outflows of resources reported by the Authority on the accompanying balance sheets consisted of the following items:

	<u>2019</u>	<u>2018</u>
Deferred inflows of resources related to pensions	\$ -	\$ 15,367
Loss on defeasance of long-term debt, net	\$ 804,414	\$ 955,676
Excess consideration paid in an acquisition	3,885,798	4,376,636
Deferred outflows of resources related to pensions	<u>1,986,097</u>	<u>3,511,524</u>
Total deferred outflows of resources	<u>\$ 6,676,309</u>	<u>\$ 8,843,836</u>

Net Position

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

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

estimated net realizable amounts from patients, third-party payors 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 generally 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, is not reflected in the accompanying financial statements.

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is currently scheduled to sunset on December 31, 2025. 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, 2019 and 2018, 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 2019.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
SHOPP funds received	\$ 13,542,000	\$ 15,154,000
SHOPP assessment fees paid	<u>5,447,000</u>	<u>6,103,000</u>
Net SHOPP benefit	<u>\$ 8,095,000</u>	<u>\$ 9,051,000</u>

Revisions and Reclassifications

Certain immaterial revisions have been made to the 2018 disclosures in *Note 4* to properly classify prior year patient accounts receivable. These revisions did not have a significant impact on the disclosure or financial statement line items impacted. In addition, certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue

CCMH, MTNC and LCHC have agreements with third-party payors 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 and LCHC 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 and LCHC have also been reimbursed for services rendered to patients covered by the state Medicaid program. CCMH is reimbursed 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 58% and 61% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2019 and 2018, 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, health maintenance organizations 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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, the Authority received approximately \$2,326,000 and \$3,001,000, 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, 2019 and 2018, approximately \$309,000 and \$162,000 of the Authority's bank balances of approximately \$10,944,000 and \$10,409,000, respectively, were exposed to custodial credit risk as follows:

	2019	2018
Uninsured and uncollateralized	\$ 309,000	\$ 162,000
Uninsured and collateralized by irrevocable letters of credit from the Federal Home Loan Bank	<u>10,635,000</u>	<u>10,247,000</u>
	<u>\$ 10,944,000</u>	<u>\$ 10,409,000</u>

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.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

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

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
2019					
Mortgage- and asset-backed securities of U.S. agencies	\$ 22,902,248	\$ 7,382,323	\$ 4,723,718	\$ 3,672,964	\$ 7,123,243
Corporate bonds	9,128,835	-	2,862,040	2,166,353	4,100,442
Money market mutual funds	7,488,318	7,488,318	-	-	-
	39,519,401	<u>\$ 14,870,641</u>	<u>\$ 7,585,758</u>	<u>\$ 5,839,317</u>	<u>\$ 11,223,685</u>
Equity mutual funds	3,187,522				
Exchange-traded funds	2,666,989				
Accrued investment income	138,317				
	<u>\$ 45,512,229</u>				
2018					
Mortgage- and asset-backed securities of U.S. agencies	\$ 22,922,737	\$ 1,089,766	\$ 11,685,367	\$ 3,765,383	\$ 6,382,221
Corporate bonds	3,532,141	-	1,637,499	1,894,642	-
Money market mutual funds	12,805,791	12,805,791	-	-	-
	39,260,669	<u>\$ 13,895,557</u>	<u>\$ 13,322,866</u>	<u>\$ 5,660,025</u>	<u>\$ 6,382,221</u>
Equity mutual funds	3,732,553				
Accrued investment income	136,474				
	<u>\$ 43,129,696</u>				

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority’s investment policy limits the sale of securities on the open market prior to maturity and directly investing in securities maturing more than five years from the date of purchase. The Authority has also adopted weighted-average limitations not to exceed three years. The money market mutual funds are presented as investments with maturities of less than one year because the average maturity of the funds is less than one year.

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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

At June 30, 2019 and 2018, the Authority's investments not directly guaranteed by the U.S. government were rated as follows:

Type	2019		2018	
	Moody's	S & P	Moody's	S & P
Mortgage- and asset-backed securities of U.S. agencies	Aaa	AA+	Aaa	AA+
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, 2019 and 2018, the Authority's investments in mortgage- and asset-backed securities 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, equity securities (including mutual funds and exchange-traded 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, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
2019		
Federal National Mortgage Association	\$ 3,733,478	8.2%
2018		
Federal National Mortgage Association	\$ 6,511,755	15.1%
Federal Home Loan Mortgage Corporation	\$ 2,421,852	5.6%
Federal Home Loan Bank	\$ 3,590,896	8.3%
Federal Farm Credit Bank	\$ 7,524,277	17.4%

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Summary of Carrying Values

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

	<u>2019</u>	<u>2018</u>
Carrying value		
Deposits	\$ 11,262,439	\$ 9,967,061
Investments	<u>45,512,229</u>	<u>43,129,696</u>
	<u>\$ 56,774,668</u>	<u>\$ 53,096,757</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 12,013,265	\$ 10,482,926
Restricted cash and investments – current	6,677,449	6,520,011
Noncurrent cash and investments	37,945,637	35,957,346
Accrued investment income	<u>138,317</u>	<u>136,474</u>
	<u>\$ 56,774,668</u>	<u>\$ 53,096,757</u>

Investment Income

Investment income for the years ended June 30 consisted of:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 1,022,104	\$ 790,042
Net increase (decrease) in fair value of investments	<u>1,471,307</u>	<u>(369,166)</u>
	<u>\$ 2,493,411</u>	<u>\$ 420,876</u>

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 payor agreements.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

Patient accounts receivable at June 30 consisted of:

	2019	2018
Medicare	\$ 9,929,306	\$ 13,022,831
Medicaid	5,340,677	5,842,738
Other third-party payors	24,304,876	22,678,394
Patients	52,836,824	41,919,507
	92,411,683	83,463,470
Less allowance for uncollectible accounts	52,136,000	45,260,000
	\$ 40,275,683	\$ 38,203,470

Note 5: Capital Assets

Capital assets activity for the years ended June 30 was:

	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 4,297,371	\$ -	\$ -	\$ -	\$ 4,297,371
Land improvements	9,426,202	-	-	61,264	9,487,466
Buildings and improvements	164,242,338	-	-	2,189,428	166,431,766
Equipment	142,218,553	337,952	(1,047,093)	5,841,563	147,350,975
Construction in progress	3,880,936	6,743,305	-	(8,092,255)	2,531,986
	324,065,400	7,081,257	(1,047,093)	-	330,099,564
Less accumulated depreciation					
Land improvements	7,481,462	290,658	-	-	7,772,120
Buildings and improvements	90,246,872	5,663,315	-	-	95,910,187
Equipment	117,310,002	6,191,392	(969,195)	-	122,532,199
	215,038,336	12,145,365	(969,195)	-	226,214,506
Capital assets, net	\$ 109,027,064	\$ (5,064,108)	\$ (77,898)	\$ -	\$ 103,885,058

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

	2018				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 4,297,371	\$ -	\$ -	\$ -	\$ 4,297,371
Land improvements	9,359,209	-	-	66,993	9,426,202
Buildings and improvements	162,277,011	-	-	1,965,327	164,242,338
Equipment	138,076,404	434,798	(745,788)	4,453,139	142,218,553
Construction in progress	3,089,313	7,277,082	-	(6,485,459)	3,880,936
	317,099,308	7,711,880	(745,788)	-	324,065,400
Less accumulated depreciation					
Land improvements	7,184,034	297,428	-	-	7,481,462
Buildings and improvements	84,262,071	5,984,801	-	-	90,246,872
Equipment	112,194,926	5,852,042	(736,966)	-	117,310,002
	203,641,031	12,134,271	(736,966)	-	215,038,336
Capital assets, net	\$ 113,458,277	\$ (4,422,391)	\$ (8,822)	\$ -	\$ 109,027,064

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, 2019 and 2018, the Authority accrued approximately \$100,000 and \$300,000, respectively, 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 was created by the County, 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, health and dental care plans and a workers' compensation plan for its employees. These plans are self-insured to the extent of the deductible amounts under the excess risk insurance policies the Authority has obtained. The activity under the self-insured short-term disability plan is not material to the overall financial statements. These self-insured amounts are currently as follows:

- Workers' compensation – first \$450,000 per accident
- Health and dental care – first \$350,000 per person per year

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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 and other long-term obligations on the accompanying balance sheets, during the years ended June 30 is summarized as follows:

	Employee Health and Dental Benefits	Workers' Compensation
2019		
Balance, beginning of year	\$ 1,119,404	\$ 603,543
Current year claims incurred and changes in estimates for claims incurred in prior years	8,250,064	473,231
Claims and expenses paid	(8,328,416)	(460,384)
Balance, end of year	\$ 1,041,052	\$ 616,390
2018		
Balance, beginning of year	\$ 1,326,864	\$ 952,771
Current year claims incurred and changes in estimates for claims incurred in prior years	8,469,286	116,529
Claims and expenses paid	(8,676,746)	(465,757)
Balance, end of year	\$ 1,119,404	\$ 603,543

In June 2019 and 2018, 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 amount of \$500,000 in the event the Authority was unable to pay its claims. As of the date of the independent auditor's report, no amounts have been drawn on these letters of credit.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Note 8: Long-Term Obligations

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

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2019					
Long-term debt					
Series 2012A Revenue Bonds	\$ 33,708,275	\$ -	\$ (1,112,112)	\$ 32,596,163	\$ 1,162,242
Series 2012B Revenue Bonds	8,515,000	-	(695,000)	7,820,000	725,000
Series 2015 Revenue Bonds	35,269,588	-	(3,391,429)	31,878,159	3,504,423
Note payable to bank (A)	7,482,728	-	(1,758,731)	5,723,997	1,817,063
Note payable to bank (B)	3,446,786	-	(361,356)	3,085,430	373,801
Note payable to bank (C)	786,764	-	(120,625)	666,139	126,172
Note payable to third party	41,531	-	(35,544)	5,987	5,987
Capital lease obligations	850,684	315,185	(337,595)	828,274	390,979
	<u>90,101,356</u>	<u>315,185</u>	<u>(7,812,392)</u>	<u>82,604,149</u>	<u>8,105,667</u>
Total long-term debt					
Other long-term liabilities					
Estimated self-insurance costs	603,543	473,231	(460,384)	616,390	248,390
Deferred compensation plans	789,720	-	(261,694)	528,026	48,774
	<u>1,393,263</u>	<u>473,231</u>	<u>(722,078)</u>	<u>1,149,438</u>	<u>297,164</u>
Total long-term obligations					
	<u>\$ 91,494,619</u>	<u>\$ 788,416</u>	<u>\$ (8,534,470)</u>	<u>\$ 83,748,565</u>	<u>\$ 8,402,831</u>
2018					
Long-term debt					
Series 2012A Revenue Bonds	\$ 34,790,009	\$ -	\$ (1,081,734)	\$ 33,708,275	\$ 1,112,112
Series 2012B Revenue Bonds	9,185,000	-	(670,000)	8,515,000	695,000
Series 2015 Revenue Bonds	38,565,952	-	(3,296,364)	35,269,588	3,391,429
Note payable to bank (A)	9,184,621	-	(1,701,893)	7,482,728	1,758,694
Note payable to bank (B)	3,796,267	-	(349,481)	3,446,786	361,864
Note payable to bank (C)	-	837,000	(50,236)	786,764	120,625
Note payable to third party	76,442	-	(34,911)	41,531	35,545
Capital lease obligations	1,079,510	-	(228,826)	850,684	224,476
	<u>96,677,801</u>	<u>837,000</u>	<u>(7,413,445)</u>	<u>90,101,356</u>	<u>7,699,745</u>
Total long-term debt					
Other long-term liabilities					
Estimated self-insurance costs	952,771	116,529	(465,757)	603,543	106,543
Deferred compensation plans	1,133,769	-	(344,049)	789,720	536,981
	<u>2,086,540</u>	<u>116,529</u>	<u>(810,806)</u>	<u>1,395,263</u>	<u>643,524</u>
Total long-term obligations					
	<u>\$ 98,764,341</u>	<u>\$ 953,529</u>	<u>\$ (8,223,251)</u>	<u>\$ 91,494,619</u>	<u>\$ 8,343,269</u>

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

Revenue Bonds Payable

The revenue bonds payable consist of the following:

- Series 2012A Hospital Revenue Refunding Bonds (Series 2012A Revenue Bonds), in the original amount of \$36,790,000 dated December 14, 2012, 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, the outstanding balance of the Series 2012A Revenue Bonds was as follows:

	2019	2018
Principal amount	\$ 31,465,000	\$ 32,445,000
Plus unamortized premium	1,131,163	1,263,275
Net amount outstanding	\$ 32,596,163	\$ 33,708,275

- Series 2012B Hospital Revenue Refunding Bonds (the Series 2012B Revenue Bonds), in the original amount of \$9,830,000 dated December 14, 2012, 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, 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

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018, the outstanding balance of the Series 2015 Revenue Bonds was as follows:

	2019	2018
Principal amount	\$ 30,055,000	\$ 33,045,000
Plus unamortized premium	1,823,159	2,224,588
Net amount outstanding	\$ 31,878,159	\$ 35,269,588

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. The bond indenture agreements contain a provision that, in an event of default, outstanding amounts may become immediately due and payable.

In prior years, the Authority had advance refunded four 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 prior advance refunding transactions 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 Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

The debt service requirements as of June 30, 2019, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2020	\$ 8,785,897	\$ 5,391,665	\$ 3,394,232
2021	8,728,337	5,577,540	3,150,797
2022	8,674,436	5,780,963	2,893,473
2023	8,618,535	5,996,799	2,621,736
2024	8,556,644	6,224,952	2,331,692
2025–2029	31,579,786	23,541,038	8,038,748
2030–2034	16,707,026	14,301,693	2,405,333
2035–2039	3,659,141	2,790,266	868,875
2040–2043	<u>2,923,688</u>	<u>2,689,406</u>	<u>234,282</u>
	<u>\$ 98,233,490</u>	<u>\$ 72,294,322</u>	<u>\$ 25,939,168</u>

Note Payable to Bank (A)

The first 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 were used by CCMH and MTNC.

In April 2015, the Authority amended the note payable to bank. The amended debt combined the two separate notes into one note carrying a fixed interest rate of 3.25% annually. The amended note matures on the earlier of April 7, 2025, or as the loan becomes due and payable pursuant to the repayment schedule. The amended note 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. The note contains a provision that, in an event of default, outstanding amounts may become immediately due and payable.

In October 2016, the Authority further amended the note payable allowing for draws on the note through December 31, 2017.

The debt service requirements as of June 30, 2019, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2020	\$ 1,978,708	\$ 1,817,063	\$ 161,645
2021	1,978,708	1,878,206	100,502
2022	1,978,708	1,940,980	37,728
2023	<u>87,985</u>	<u>87,748</u>	<u>237</u>
	<u>\$ 6,024,109</u>	<u>\$ 5,723,997</u>	<u>\$ 300,112</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Note Payable to Bank (B)

In October 2015, the Authority obtained a \$5,000,000 revolving bank line of credit for operations. In October 2016, the revolving line of credit was converted to a note payable to bank in the amount of \$4,000,000 due October 1, 2026, with principal and interest at 3.25% payable monthly beginning December 2016. This note is secured by all pledged revenues of the Authority. The note contains a provision that, in an event of default, outstanding amounts may become immediately due and payable.

The debt service requirements as of June 30, 2019, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2020	\$ 468,493	\$ 373,801	\$ 94,692
2021	468,492	386,132	82,360
2022	468,492	398,870	69,622
2023	468,492	412,028	56,464
2024	468,492	425,620	42,872
2025–2027	<u>1,133,715</u>	<u>1,088,979</u>	<u>44,736</u>
	<u>\$ 3,476,176</u>	<u>\$ 3,085,430</u>	<u>\$ 390,746</u>

Note Payable to Bank (C)

In January 2018, the Authority entered into a third note payable to bank, which allows draws on the note up to \$1,237,000. At June 30, 2018, \$837,000 had been drawn against this note, the proceeds of which were used by CCMH to purchase real property. Payments of principal and interest at 4.5% are due monthly in the amount of \$12,835 maturing January 16, 2028. The note is secured by certain real property of the Authority. The note contains a provision that, in an event of default, outstanding amounts may become immediately due and payable.

The debt service requirements as of June 30, 2019, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2020	\$ 154,026	\$ 126,172	\$ 27,854
2021	154,026	132,124	21,902
2022	154,026	138,280	15,746
2023	154,026	144,722	9,304
2024	<u>127,461</u>	<u>124,841</u>	<u>2,620</u>
	<u>\$ 743,565</u>	<u>\$ 666,139</u>	<u>\$ 77,426</u>

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019, are principal payments of \$5,987 and interest payments of \$14 in the year ended June 30, 2020. As of August 31, 2019, the remaining balance on the note was paid in full.

Capital Lease Obligations

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

	2019	2018
Capital assets, at cost	\$ 1,323,513	\$ 1,167,240
Less accumulated depreciation	466,324	332,477
	\$ 857,189	\$ 834,763

The following is a schedule by year of future minimum lease payments under the capital leases, including interest rates of 0.52% to 10.72%, together with the present value of the future minimum lease payments as of June 30, 2019:

Year Ending June 30,	
2020	\$ 418,934
2021	224,238
2022	228,783
2023	2,037
Total minimum lease payments	873,992
Less amount representing interest	45,718
Present value of future minimum lease payments	\$ 828,274

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 \$1,880,000 and \$1,881,000 for 2019 and 2018, respectively. The cost of charity care is estimated by applying the ratio of costs to gross charges from the most recent Medicare cost report.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

In addition to uncompensated care, the Authority also commits significant time and resources to endeavors and critical services that 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 Plan, a single-employer defined benefit pension plan covering substantially all employees. The Plan is administered by the Plan's board of trustees whose members 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. The Plan does not issue a separate report that includes financial statements and required supplementary information 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.

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>2019</u>	<u>2018</u>
Inflation	2.25%	2.00%
Salary increase (average, including inflation)	1.50%	2.00%
Investment rate of return (net of pension plan investment expense)	6.40%	6.50%

Mortality rates were based on the Adjusted RP-2014 Blue Collar Mortality with Improvement Scale MP-2017 for the 2018 valuation and the Adjusted RP-2014 Blue Collar Mortality with Improvement Scale MP-2018 for the 2019 valuation.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

The employees covered by the Plan at June 30 are:

	<u>2019</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	344	322
Inactive employees entitled to but not yet receiving benefits	291	287
Active employees	<u>1,141</u>	<u>959</u>
	<u>1,776</u>	<u>1,568</u>

Long-Term Expected Rate of Return

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks – large cap	26.23%	7.70%
Domestic stocks – mid cap	11.91%	7.95%
Domestic stocks – small cap	7.01%	8.50%
International stocks	15.02%	7.95%
Real estate investment trusts	10.11%	7.60%
Cash	4.31%	2.25%
Treasury inflation-protected securities	0.00%	3.50%
Core bond	20.42%	4.00%
High-yield bonds	<u>4.99%</u>	6.45%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.40% and 6.50% for the years ended June 30, 2019 and 2018, 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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, the Authority contributed approximately \$5,520,000 and \$4,065,000, 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, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

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

	2019		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 69,060,387	\$ 48,035,841	\$ 21,024,546
Changes for the year			
Service cost	587,302	-	587,302
Interest	4,402,364	-	4,402,364
Differences between expected and actual experience	1,132,108	-	1,132,108
Contributions – employer	-	5,520,000	(5,520,000)
Net investment income	-	3,005,743	(3,005,743)
Benefit payments	(3,655,594)	(3,655,594)	-
Administrative expense	-	(103,726)	103,726
Change of assumptions	185,809	-	185,809
Net changes	<u>2,651,989</u>	<u>4,766,423</u>	<u>(2,114,434)</u>
Balance, end of year	<u>\$ 71,712,376</u>	<u>\$ 52,802,264</u>	<u>\$ 18,910,112</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

	2018		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	Balance, beginning of year	\$ 66,240,428	\$ 44,380,978
Changes for the year			
Service cost	567,909	-	567,909
Interest	4,305,786	-	4,305,786
Differences between expected and actual experience	335,027	-	335,027
Contributions – employer	-	4,065,000	(4,065,000)
Net investment income	-	3,141,633	(3,141,633)
Benefit payments	(3,448,693)	(3,448,693)	-
Administrative expense	-	(103,077)	103,077
Change of assumptions	1,059,930	-	1,059,930
Net changes	2,819,959	3,654,863	(834,904)
Balance, end of year	\$ 69,060,387	\$ 48,035,841	\$ 21,024,546

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the Authority has been calculated using a discount rate of 6.40% for the year ended June 30, 2019. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (5.40%)	Current Discount Rate (6.40%)	1% Increase (7.40%)
Net pension liability	\$ 27,956,333	\$ 18,910,112	\$ 11,479,680

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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

For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of approximately \$4,916,000 and \$4,592,000, respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019		
Differences between expected and actual experience	\$ 1,143,146	\$ -
Change in assumptions	732,175	-
Net difference between projected and actual earnings on pension plan investments	110,776	-
Total	\$ 1,986,097	\$ -
2018		
Differences between expected and actual experience	\$ 1,178,154	\$ 15,367
Change in assumptions	1,661,871	-
Net difference between projected and actual earnings on pension plan investments	671,499	-
Total	\$ 3,511,524	\$ 15,367

Amounts reported as deferred outflows and inflows of resources at June 30, 2019, related to pensions will be recognized in pension expense as follows:

2020	\$ 1,620,264
2021	242,211
2022	91,757
2023	31,865
Total	\$ 1,986,097

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

Pension Plan Fiduciary Net Position

As of June 30, the Plan’s fiduciary net position was comprised of the following:

	2019	2018
Pooled investments, at fair value		
Equities	\$ 36,962,192	\$ 33,976,020
Fixed income	15,840,072	13,915,540
Balanced asset allocation	-	56,437
Other	-	87,844
	<u>\$ 52,802,264</u>	<u>\$ 48,035,841</u>
Total pooled investments, at fair value	<u>\$ 52,802,264</u>	<u>\$ 48,035,841</u>
Total plan fiduciary net position	<u>\$ 52,802,264</u>	<u>\$ 48,035,841</u>

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 balance of 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 6.17% and 7.10% for the years ended June 30, 2019 and 2018, respectively.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a separate policy covering credit risk.

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, 2019 and 2018, all of the Plan’s investments were held through the Plan’s investment manager, The Principal Group, in pooled investments.

The Comanche County Hospital Authority
Notes to Financial Statements
June 30, 2019 and 2018

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

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
2019					
Pooled investments, at fair value					
Equities	\$ 36,962,192	\$ 36,962,192	\$ -	\$ -	\$ -
Fixed income	<u>15,840,072</u>	<u>3,262,942</u>	<u>3,625,764</u>	<u>3,992,042</u>	<u>4,959,324</u>
	<u>\$ 52,802,264</u>	<u>\$ 40,225,134</u>	<u>\$ 3,625,764</u>	<u>\$ 3,992,042</u>	<u>\$ 4,959,324</u>
2018					
Pooled investments, at fair value					
Equities	\$ 33,976,020	\$ 33,976,020	\$ -	\$ -	\$ -
Fixed income	13,915,540	3,117,064	3,735,475	3,075,799	3,987,202
Balanced asset allocation	56,437	40,378	6,265	4,124	5,670
Other	<u>87,844</u>	<u>87,844</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 48,035,841</u>	<u>\$ 37,221,306</u>	<u>\$ 3,741,740</u>	<u>\$ 3,079,923</u>	<u>\$ 3,992,872</u>

All of the pension plan assets were held in pooled investment funds at June 30, 2019 and 2018. Therefore, all pension plan investments were considered Level 2 in the valuation hierarchy.

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 1 or Level 3 securities at June 30, 2019 or 2018.

Note 11: 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, quoted prices in markets that are not active, or other inputs that are observable or can

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

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:

Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019				
Investments by Fair Value Level				
Mortgage- and asset-backed securities of U.S. agencies	\$ 22,902,248	\$ 18,210,080	\$ 4,692,168	\$ -
Corporate bonds	9,128,835	-	9,128,835	-
Equity mutual funds	3,187,522	3,187,522	-	-
Exchange-traded funds	2,666,989	2,666,989	-	-
Money market mutual funds	7,488,318	7,488,318	-	-
Total investments by fair value level	<u>\$ 45,373,912</u>	<u>\$ 31,552,909</u>	<u>\$ 13,821,003</u>	<u>\$ -</u>
2018				
Investments by Fair Value Level				
Mortgage- and asset-backed securities of U.S. agencies	\$ 22,922,737	\$ 18,390,061	\$ 4,532,676	\$ -
Corporate bonds	3,532,141	354,909	3,177,232	-
Equity mutual funds	3,732,553	3,732,553	-	-
Money market mutual funds	12,805,791	12,805,791	-	-
Total investments by fair value level	<u>\$ 42,993,222</u>	<u>\$ 35,283,314</u>	<u>\$ 7,709,908</u>	<u>\$ -</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Investments

Where quoted market prices are available in an active market, investments 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 investments 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 investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Authority did not hold any Level 3 investments at June 30, 2019 or 2018.

Note 12: 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. At June 30, 2019 and 2018, no amounts were 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, 2019 and 2018, the Authority recorded revenue from CCSO of approximately \$8,566,000 and \$7,936,000, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2019 and 2018, CCSO owed the Authority approximately \$1,247,000 and \$2,765,000, 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, 2019 and 2018, the Authority incurred approximately \$25,312,000 and \$22,502,000, respectively, of expense and owed CCSO approximately \$2,078,000 and \$2,655,000 at June 30, 2019 and 2018, respectively, related to these services. These amounts are included in the accompanying balance sheets in due to related parties.

Note 13: Investments in Joint Ventures

The investments in joint ventures relate to a 25% ownership in MSO Healthcare of Oklahoma, LLC (MSO), an approximate 46% ownership in CCSO and an approximate 10% ownership in LifeCare Health Services, L.L.C. (LifeCare). These investments in joint ventures are accounted for using the equity method.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

The information summarized below represents the financial position and results of operations for CCSO, MSO and LifeCare for the fiscal years ended June 30:

	CCSO (Audited)	MSO (Unaudited)	LifeCare (Unaudited)
2019			
Current assets	\$ 11,701,355	\$ 144,691	\$ 7,248,946
Property and other long-term assets, net	<u>15,360,954</u>	<u>233,548</u>	<u>309,247</u>
Total assets	<u>\$ 27,062,309</u>	<u>\$ 378,239</u>	<u>\$ 7,558,193</u>
Total liabilities	\$ 21,125,245	\$ 131,745	\$ 208,973
Partners' equity	<u>5,937,064</u>	<u>246,494</u>	<u>7,349,220</u>
Total liabilities and partners' equity	<u>\$ 27,062,309</u>	<u>\$ 378,239</u>	<u>\$ 7,558,193</u>
Revenues	<u>\$ 44,037,023</u>	<u>\$ 295,753</u>	<u>\$ 2,308,969</u>
Excess (deficiency) of revenues over expenses	<u>\$ 1,496,118</u>	<u>\$ (42,730)</u>	<u>\$ 437,896</u>
2018			
Current assets	\$ 13,298,822	\$ 145,025	\$ 6,764,287
Property and other long-term assets, net	<u>16,076,390</u>	<u>292,013</u>	<u>304,243</u>
Total assets	<u>\$ 29,375,212</u>	<u>\$ 437,038</u>	<u>\$ 7,068,530</u>
Total liabilities	\$ 23,934,266	\$ 147,813	\$ 167,579
Partners' equity	<u>5,440,946</u>	<u>289,225</u>	<u>6,900,951</u>
Total liabilities and partners' equity	<u>\$ 29,375,212</u>	<u>\$ 437,038</u>	<u>\$ 7,068,530</u>
Revenues	<u>\$ 37,970,552</u>	<u>\$ 350,226</u>	<u>\$ 2,132,596</u>
Excess (deficiency) of revenues over expenses	<u>\$ 1,804,579</u>	<u>\$ (60,304)</u>	<u>\$ 428,950</u>

Complete financial statements of the joint venture entities may be obtained by contacting the Authority's management.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Note 14: 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.

Pension and Other Postretirement Benefit Obligations

The Authority has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the entry age cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Authority invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

Required Supplementary Information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 587,302	\$ 567,909	\$ 655,666	\$ 682,446	\$ 637,179
Interest	4,402,364	4,305,786	4,087,742	3,984,688	3,863,517
Differences between expected and actual experience	1,132,108	335,027	2,180,773	252,114	(196,171)
Change of assumptions	185,809	1,059,930	1,013,383	1,756,164	58,934
Benefit payments	(3,655,594)	(3,448,693)	(3,228,627)	(2,882,449)	(2,509,568)
Other changes	-	-	-	11,184	-
Net change in total pension liability	<u>2,651,989</u>	<u>2,819,959</u>	<u>4,708,937</u>	<u>3,804,147</u>	<u>1,853,891</u>
Total pension liability – beginning	<u>69,060,387</u>	<u>66,240,428</u>	<u>61,531,491</u>	<u>57,727,344</u>	<u>55,873,453</u>
Total pension liability – ending (a)	<u>71,712,376</u>	<u>69,060,387</u>	<u>66,240,428</u>	<u>61,531,491</u>	<u>57,727,344</u>
Plan fiduciary net position					
Contributions – employer	5,520,000	4,065,000	2,305,000	2,315,000	2,425,000
Net investment income	3,005,743	3,141,633	3,717,334	402,171	750,448
Benefit payments	(3,655,594)	(3,448,693)	(3,228,627)	(2,882,449)	(2,509,568)
Administrative expense	(103,726)	(103,077)	(48,520)	(73,190)	(44,173)
Net change in plan fiduciary net position	<u>4,766,423</u>	<u>3,654,863</u>	<u>2,745,187</u>	<u>(238,468)</u>	<u>621,707</u>
Plan fiduciary net position – beginning	<u>48,035,841</u>	<u>44,380,978</u>	<u>41,635,791</u>	<u>41,874,259</u>	<u>41,252,552</u>
Plan fiduciary net position – ending (b)	<u>52,802,264</u>	<u>48,035,841</u>	<u>44,380,978</u>	<u>41,635,791</u>	<u>41,874,259</u>
Net pension liability – ending (a) - (b)	<u>\$ 18,910,112</u>	<u>\$ 21,024,546</u>	<u>\$ 21,859,450</u>	<u>\$ 19,895,700</u>	<u>\$ 15,853,085</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73.63%</u>	<u>69.56%</u>	<u>67.00%</u>	<u>67.67%</u>	<u>72.54%</u>
Covered employee payroll	<u>\$ 51,280,613</u>	<u>\$ 47,064,691</u>	<u>\$ 50,454,740</u>	<u>\$ 56,460,170</u>	<u>\$ 51,828,978</u>
Net pension liability as a percentage of covered employee payroll	<u>36.88%</u>	<u>44.67%</u>	<u>43.32%</u>	<u>35.24%</u>	<u>30.59%</u>

Notes to Schedule

Change in assumptions:

- Investment rate of return reduced from 6.50% to 6.40%
- Mortality table updated to Adjusted RP-2014 Blue Collar Mortality with Improvement Scale MP-2018

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 Pension Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 4,005,691	\$ 3,977,101	\$ 3,723,996	\$ 2,818,799	\$ 2,365,504
Contributions in relation to the actuarially determined contributions	<u>5,520,000</u>	<u>4,065,000</u>	<u>2,305,000</u>	<u>2,315,000</u>	<u>2,425,000</u>
Contribution deficiency (excess)	<u>\$ (1,514,309)</u>	<u>\$ (87,899)</u>	<u>\$ 1,418,996</u>	<u>\$ 503,799</u>	<u>\$ (59,496)</u>
Covered employee payroll	<u>\$ 51,280,613</u>	<u>\$ 47,064,691</u>	<u>\$ 50,454,740</u>	<u>\$ 56,460,170</u>	<u>\$ 51,828,978</u>
Contributions as a percentage of covered employee payroll	<u>10.76%</u>	<u>8.64%</u>	<u>4.57%</u>	<u>4.10%</u>	<u>4.68%</u>

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, 2019

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 – 11 years
Asset valuation method:	Market Value
Inflation:	2.25%
Salary increases:	1.50%
Investment rate of return:	6.40%
Retirement age:	If hired on or after July 1, 1992 – the later of age 65 or 10 years of vested service If hired before July 1, 1992 – attained age 65
Mortality:	Adjusted RP-2014 Blue Collar Mortality with Improvement Scale MP-2018

Supplementary Information

The Comanche County Hospital Authority
Combining Schedule – Balance Sheet Information
June 30, 2019

	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and cash equivalents	\$ 7,476,595	\$ 218,998	\$ 4,317,672	\$ -	\$ 12,013,265
Restricted cash and investments – current	6,180,489	496,960	-	-	6,677,449
Patient accounts receivable, net; \$52,136,000	38,313,406	1,057,227	905,050	-	40,275,683
Accrued investment income	138,317	-	-	-	138,317
Due from related parties	10,503,761	-	-	(9,256,177)	1,247,584
Estimated amounts due from third-party payors	1,282,175	49,466	-	-	1,331,641
Supplies	6,986,271	8,557	62,628	-	7,057,456
Prepaid expenses and other	2,872,688	38,349	530,616	-	3,441,653
	<u>73,753,702</u>	<u>1,869,557</u>	<u>5,815,966</u>	<u>(9,256,177)</u>	<u>72,183,048</u>
Noncurrent Cash and Investments					
Held by trustee for debt service	10,780,149	2,043,763	-	-	12,823,912
Less amount required to meet current obligations	6,180,489	496,960	-	-	6,677,449
	<u>4,599,660</u>	<u>1,546,803</u>	<u>-</u>	<u>-</u>	<u>6,146,463</u>
Other long-term investments	31,799,174	-	-	-	31,799,174
	<u>36,398,834</u>	<u>1,546,803</u>	<u>-</u>	<u>-</u>	<u>37,945,637</u>
	<u>85,247,840</u>	<u>15,702,176</u>	<u>2,935,042</u>	<u>-</u>	<u>103,885,058</u>
Capital Assets, Net					
Other Assets					
Investments in joint ventures	3,561,988	-	-	-	3,561,988
Other	1,733,621	-	-	-	1,733,621
	<u>5,295,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,295,609</u>
	<u>6,566,229</u>	<u>110,080</u>	<u>-</u>	<u>-</u>	<u>6,676,309</u>
Deferred Outflows of Resources					
	<u>6,566,229</u>	<u>110,080</u>	<u>-</u>	<u>-</u>	<u>6,676,309</u>
Total assets and deferred outflows of resources	<u>\$ 207,262,214</u>	<u>\$ 19,228,616</u>	<u>\$ 8,751,008</u>	<u>\$ (9,256,177)</u>	<u>\$ 225,985,661</u>

	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Current maturities of long-term debt	\$ 6,858,114	\$ 1,247,553	\$ -	\$ -	\$ 8,105,667
Accounts payable	23,941,505	290,157	326,747	-	24,558,409
Accrued expenses	13,620,142	676,633	-	-	14,296,775
Accrued interest payable	1,472,144	250,719	-	-	1,722,863
Due to related parties	2,077,532	8,527,276	728,901	(9,256,177)	2,077,532
Total current liabilities	47,969,437	10,992,338	1,055,648	(9,256,177)	50,761,246
Long-Term Debt	62,938,905	11,559,577	-	-	74,498,482
Net Pension Liability	17,862,017	1,048,095	-	-	18,910,112
Other Long-Term Obligations	847,252	-	-	-	847,252
Total liabilities	129,617,611	23,600,010	1,055,648	(9,256,177)	145,017,092
Net Position					
Net investment in capital assets	27,418,686	4,441,849	2,935,042	-	34,795,577
Restricted – expendable for debt service	6,608,693	246,241	-	-	6,854,934
Unrestricted	43,617,224	(9,059,484)	4,760,318	-	39,318,058
Total net position	77,644,603	(4,371,394)	7,695,360	-	80,968,569
Total liabilities, deferred inflows of resources and net position	<u>\$ 207,262,214</u>	<u>\$ 19,228,616</u>	<u>\$ 8,751,008</u>	<u>\$ (9,256,177)</u>	<u>\$ 225,985,661</u>

Notes to Schedule

- The Authority's investment in CCSO is presented in the Comanche County Memorial Hospital column of these combining schedules.
- The above financial statements of Comanche County Memorial Hospital, McMahon-Tomlinson Nursing Center and Lawton Community Health Center are intended to present the financial position of only those portions of the activities of The Comanche County Hospital Authority that are attributable to those respective divisions.

The Comanche County Hospital Authority
Combining Schedule – Balance Sheet Information
June 30, 2018

	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and cash equivalents	\$ 7,494,206	\$ 230,073	\$ 2,758,647	\$ -	\$ 10,482,926
Restricted cash and investments – current	6,035,019	484,992	-	-	6,520,011
Patient accounts receivable, net; \$45,260,000	36,353,692	756,971	1,092,807	-	38,203,470
Accrued investment income	136,474	-	-	-	136,474
Due from related parties	9,383,156	-	111,843	(6,406,331)	3,088,668
Estimated amounts due from third-party payors	3,079,454	-	-	-	3,079,454
Supplies	5,705,803	13,877	58,197	-	5,777,877
Prepaid expenses and other	3,558,354	48,250	48,971	-	3,655,575
	<u>71,746,158</u>	<u>1,534,163</u>	<u>4,070,465</u>	<u>(6,406,331)</u>	<u>70,944,455</u>
Noncurrent Cash and Investments					
Held by trustee for debt service	10,521,731	2,031,795	-	-	12,553,526
Less amount required to meet current obligations	6,035,019	484,992	-	-	6,520,011
	<u>4,486,712</u>	<u>1,546,803</u>	<u>-</u>	<u>-</u>	<u>6,033,515</u>
Other long-term investments	29,923,831	-	-	-	29,923,831
	<u>34,410,543</u>	<u>1,546,803</u>	<u>-</u>	<u>-</u>	<u>35,957,346</u>
	<u>89,505,768</u>	<u>16,721,794</u>	<u>2,799,502</u>	<u>-</u>	<u>109,027,064</u>
Capital Assets, Net					
Other Assets					
Investments in joint ventures	3,290,351	-	-	-	3,290,351
Other	1,386,509	-	-	-	1,386,509
	<u>4,676,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,676,860</u>
	<u>8,514,056</u>	<u>329,780</u>	<u>-</u>	<u>-</u>	<u>8,843,836</u>
Deferred Outflows of Resources					
	<u>8,514,056</u>	<u>329,780</u>	<u>-</u>	<u>-</u>	<u>8,843,836</u>
	<u>8,514,056</u>	<u>329,780</u>	<u>-</u>	<u>-</u>	<u>8,843,836</u>
Total assets and deferred outflows of resources	<u>\$ 208,853,385</u>	<u>\$ 20,132,540</u>	<u>\$ 6,869,967</u>	<u>\$ (6,406,331)</u>	<u>\$ 229,449,561</u>

	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Current maturities of long-term debt	\$ 6,496,489	\$ 1,203,256	\$ -	\$ -	\$ 7,699,745
Accounts payable	17,321,707	175,025	466,496	-	17,963,228
Accrued expenses	13,419,227	732,825	-	-	14,152,052
Accrued interest payable	1,579,473	258,021	-	-	1,837,494
Due to related parties	2,767,054	6,294,488	-	(6,406,331)	2,655,211
Total current liabilities	41,583,950	8,663,615	466,496	(6,406,331)	44,307,730
Long-Term Debt	69,982,849	12,418,762	-	-	82,401,611
Net Pension Liability	19,568,087	1,456,459	-	-	21,024,546
Other Long-Term Obligations	749,739	-	-	-	749,739
Total liabilities	131,884,625	22,538,836	466,496	(6,406,331)	148,483,626
Deferred Inflows of Resources	14,427	940	-	-	15,367
Net Position					
Net investment in capital assets	24,575,869	4,646,579	2,799,502	-	32,021,950
Restricted – expendable for debt service	6,242,946	226,971	-	-	6,469,917
Unrestricted	46,135,518	(7,280,786)	3,603,969	-	42,458,701
Total net position	76,954,333	(2,407,236)	6,403,471	-	80,950,568
Total liabilities, deferred inflows of resources and net position	\$ 208,853,385	\$ 20,132,540	\$ 6,869,967	\$ (6,406,331)	\$ 229,449,561

Notes to Schedule

- The Authority’s investment in CCSO is presented in the Comanche County Memorial Hospital column of these combining schedules.
- The above financial statements of Comanche County Memorial Hospital, McMahon-Tomlinson Nursing Center and Lawton Community Health Center are intended to present the financial position of only those portions of the activities of The Comanche County Hospital Authority that are attributable to those respective divisions.

The Comanche County Hospital Authority
Combining Schedule – Statement of Revenues, Expenses and Changes in Net
Position Information
Year Ended June 30, 2019

	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts; \$68,066,634	\$ 251,962,780	\$ 9,955,335	\$ 11,180,825	\$ -	\$ 273,098,940
Grant revenue	-	-	2,325,602	-	2,325,602
Other	5,313,866	6,595	2,242,331	(57,183)	7,505,609
Total operating revenues	<u>257,276,646</u>	<u>9,961,930</u>	<u>15,748,758</u>	<u>(57,183)</u>	<u>282,930,151</u>
Operating Expenses					
Salaries and wages	105,517,520	4,960,340	8,356,060	-	118,833,920
Employee benefits	17,679,641	1,227,966	1,714,975	-	20,622,582
Purchased services and professional fees	64,219,788	2,139,709	1,684,307	-	68,043,804
Medical supplies and drugs	38,585,232	666,720	1,405,151	-	40,657,103
Supplies and other	20,318,569	1,311,162	1,382,979	(57,183)	22,955,527
Depreciation and amortization	11,212,053	1,101,086	328,100	-	12,641,239
Total operating expenses	<u>257,532,803</u>	<u>11,406,983</u>	<u>14,871,572</u>	<u>(57,183)</u>	<u>283,754,175</u>
Operating Income (Loss)	<u>(256,157)</u>	<u>(1,445,053)</u>	<u>877,186</u>	<u>-</u>	<u>(824,024)</u>
Nonoperating Revenues (Expenses)					
Noncapital grants and gifts	389,572	25,000	328,956	-	743,528
Gain on investments in joint ventures	728,802	-	-	-	728,802
Investment income	2,401,672	5,992	85,747	-	2,493,411
Interest expense and other financing costs	(2,742,447)	(550,097)	-	-	(3,292,544)
Total nonoperating revenues (expenses)	<u>777,599</u>	<u>(519,105)</u>	<u>414,703</u>	<u>-</u>	<u>673,197</u>
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	521,442	(1,964,158)	1,291,889	-	(150,827)
Capital Grants and Gifts	<u>168,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,828</u>
Increase (Decrease) in Net Position	690,270	(1,964,158)	1,291,889	-	18,001
Net Position, Beginning of Year	<u>76,954,333</u>	<u>(2,407,236)</u>	<u>6,403,471</u>	<u>-</u>	<u>80,950,568</u>
Net Position, End of Year	<u>\$ 77,644,603</u>	<u>\$ (4,371,394)</u>	<u>\$ 7,695,360</u>	<u>\$ -</u>	<u>\$ 80,968,569</u>

Notes to Schedule

- The Authority's earnings on its investment in CCSO are presented in the Comanche County Memorial Hospital column of these combining schedules.
- The above financial statements of Comanche County Memorial Hospital, McMahon-Tomlinson Nursing Center and Lawton Community Health Center are intended to present the changes in financial position of only those portions of the activities of The Comanche County Hospital Authority that are attributable to those respective divisions.

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

	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts; \$52,596,730	\$ 247,407,761	\$ 9,749,857	\$ 8,594,535	\$ -	\$ 265,752,153
Grant revenue	-	-	3,001,090	-	3,001,090
Other	5,720,616	4,579	423,432	(57,183)	6,091,444
Total operating revenues	253,128,377	9,754,436	12,019,057	(57,183)	274,844,687
Operating Expenses					
Salaries and wages	105,106,586	4,949,831	6,295,435	-	116,351,852
Employee benefits	16,203,406	1,514,194	1,218,315	-	18,935,915
Purchased services and professional fees	58,527,700	2,206,903	988,448	-	61,723,051
Medical supplies and drugs	36,281,699	694,402	739,127	-	37,715,228
Supplies and other	22,530,989	1,241,075	930,755	(57,183)	24,645,636
Depreciation and amortization	11,445,449	1,086,324	190,273	-	12,722,046
Total operating expenses	250,095,829	11,692,729	10,362,353	(57,183)	272,093,728
Operating Income (Loss)	3,032,548	(1,938,293)	1,656,704	-	2,750,959
Nonoperating Revenues (Expenses)					
Noncapital grants and gifts	344,852	-	114,706	-	459,558
Gain on investments in joint ventures	306,748	-	-	-	306,748
Investment income	363,207	5,368	52,301	-	420,876
Interest expense and other financing costs	(2,979,176)	(584,043)	-	-	(3,563,219)
Total nonoperating revenues (expenses)	(1,964,369)	(578,675)	167,007	-	(2,376,037)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	1,068,179	(2,516,968)	1,823,711	-	374,922
Capital Grants and Gifts	1,047,100	-	-	-	1,047,100
Increase (Decrease) in Net Position	2,115,279	(2,516,968)	1,823,711	-	1,422,022
Net Position, Beginning of Year	74,839,054	109,732	4,579,760	-	79,528,546
Net Position, End of Year	\$ 76,954,333	\$ (2,407,236)	\$ 6,403,471	\$ -	\$ 80,950,568

Notes to Schedule

- The Authority's earnings on its investment in CCSO are presented in the Comanche County Memorial Hospital column of these combining schedules.
- The above financial statements of Comanche County Memorial Hospital, McMahon-Tomlinson Nursing Center and Lawton Community Health Center are intended to present the changes in financial position of only those portions of the activities of The Comanche County Hospital Authority that are attributable to those respective divisions.

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

Independent Auditor's Report

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, 2019, 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 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Trustees
The Comanche County Hospital Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 18, 2019

The Comanche County Hospital Authority
Schedule of Findings and Responses
Year Ended June 30, 2019

Reference Number	Finding
	No matters are reportable.