Management's Discussion and Analysis and
Financial Statements
June 30, 2014 and 2013

McCurtain County Hospital Authority

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Trustees
McCurtain County Hospital Authority
Idabel, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of McCurtain County Hospital Authority, (Authority) which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 McCurtain County Hospital Authority as of June 30, 2014 and 2013, and the results of its operations, changes in net position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2014 on our consideration of McCurtain County Hospital Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McCurtain County Hospital Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
October 15, 2014

Introduction

Our discussion and analysis of McCurtain County Hospital Authority (Authority) provides an overview of the Authority's financial activities for the years ended June 30, 2014, 2013 and 2012. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- McCurtain County voters approved a one fourth of one cent sales tax beginning April 1, 2014.
- Total assets decreased in 2014 by $218,264 or 4% and decreased by $932,942 or 15% in 2013.
- Total liabilities increased in 2014 by $601,414 or 100% and decreased by $496,202 or 100% in 2013.
- Operating revenues decreased in 2014 by $4,998 or 31% and decreased by $16,242 or 50% in 2013.
- Operating loss decreased in 2014 by $1,937 or 24% and decreased by $3,168 or 28% in 2013.
- The Authority's net position decreased in 2014 by $819,678 or 16% compared with a decrease of $436,740 or 8% in 2013.
- In 2014 the Authority paid $596,716 of qualified expenses on behalf of the McCurtain Memorial Management, Inc. (Hospital). The Authority did not pay any qualified expenses of the Hospital in 2013 or 2012. The Authority did not pay for capital acquisitions in 2014 or 2013 however they paid $100,000 in 2012.

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 financial statements and related notes provide information about activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The 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 liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position.

Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as local economic factors to assess the overall health of the Authority.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

The Authority's Net Position

The following table reflects the condensed Assets, Liabilities and Net Position of the Authority as of June 30.

Table 1: Assets, Liabilities and Net Position

	2014	2013	2012
Assets			
Current assets	$ 421,937	$ 423,400	$ 367,464
Noncurrent cash and investments	187,765	22,535	447,879
Capital assets	4,349,870	4,731,901	5,163,297
Other assets	-	-	132,138
Total assets	$ 4,959,572	$ 5,177,836	$ 6,110,778
Liabilities			
Current maturities	$ 259,110	$ -	$ 307,024
Other current liabilities	1,414	-	57,040
Long-term debt	340,890	-	132,138
Total liabilities	601,414	-	496,202
Net Position			
Net investment in capital assets	4,349,870	4,731,901	4,724,135
Restricted			
For debt service	-	-	325,474
Expendable for capital acquisitions	187,765	22,535	122,405
Unrestricted	(179,477)	423,400	442,562
Total net position	4,358,158	5,177,836	5,614,576
Total liabilities and net position	$ 4,959,572	$ 5,177,836	$ 6,110,778

Total assets in 2014 decreased by $218,264 or 4% as compared to 2013. The primary components of the decrease in assets as follows:

- A decrease in capital assets of $382,031 or 8% due primarily to changes in accumulated depreciation of $382,031 compared with a decrease of $431,936 or 8% in 2013.

- An increase in in assets limited to use of $165,230 due primarily to the $183,000 of sales tax receivable in 2014.

Debt Administration

- In March 2014 the Authority obtained a loan for $600,000 maturing June 2016, collateralized by the sales tax agreement. The purpose of the loan was to pay qualified expenses on behalf of the Hospital.

Operating Results and Changes in Net Position

Table 2: Operating Results and Changes in Net Position

	2014	2013	2012
Operating Revenues			
Interest income	$ 4,925	$ 1,788	$ 4,571
Lease income	6,046	14,181	27,640
Total operating revenues	10,971	15,969	32,211
Operating Expenses			
Interest expense	2,844	8,239	27,640
Other	148	32	-
Professional fees	14,100	15,756	15,797
Total operating expenses	17,092	24,027	43,437
Operating Loss	(6,121)	(8,058)	(11,226)
Non-operating Revenue (Expenses)			
Sales tax income	183,000	-	-
Gain/(loss) on disposal of asset	-	368	(2,332)
Revenue in Excess of (Less Than) Expenses before Government Transfers	176,879	(7,690)	(13,558)
Government Transfers			
Transfer of depreciation on equipment utilized by Hospital	(399,838)	(429,050)	(449,187)
Transfer of funds to pay qualified expenses of the Hospital	(596,716)	-	-
Transfer of funds to pay for capital acquisitions of the Hospital	-	-	(100,000)
Decrease in net position	$ (819,675)	$ (436,740)	$ (562,745)

Operating Income (Loss)

The first component of the overall change in the Authority's net position is its operating income - the difference between operating revenues and expenses. In the current year, the Authority had an operating loss.

Operating loss for 2014 decreased by $1,937 or 24% as compared to 2013 compared to decrease of $3,168 or 28% in 2013.The primary components of the decreasing operating loss are:

- A decrease in lease income of $8,135 or 57% compared with a decrease of $13,459 or 49% in 2013.
- An increase in interest income of $3,137 or 175% compared with a decrease of $2,783 or 61% in 2013.
- A decrease in interest expense of $5,395 or 65% compared with a decrease of $19,401 or 70% in 2013.

Non Operating Revenues (Expense)

In November 2013, the citizens of McCurtain County approved a ¼ of of one cent sales tax beginning April 1, 2014 for McCurtain County Hospital Authority to purchase equipment, capital improvements and pay qualified expenses for the Hospital. The Authority was entitled to receive $183,000 of sales tax proceeds for the year ended June 30, 2014.

The Authority's Cash Flows

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

Contacting the Authority's Financial Management

This financial report is designed to provide our suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority's administration by calling (580) 208-3104.

	2014	2013
Assets		
Current Assets		
Cash	$ 29,214	$ 290,306
Notes receivable	381,368	132,138
Interest receivable	11,355	956
Total current assets	421,937	423,400
Assets Limited as to Use		
Due from County	4,765	22,535
Sales tax receivable	183,000	-
Total assets limited as to use	187,765	22,535
Capital Assets, Net	4,349,870	4,731,901
Total assets	$ 4,959,572	$ 5,177,836
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 259,110	$ -
Accrued interest payable	1,414	-
Total current liabilities	260,524	-
Long-Term Debt, Net of Current Maturities	340,890	-
Total liabilities	601,414	-
Net Position		
Invested in capital assets net of related debt	4,349,870	4,731,901
Restricted		
Expendable for capital acquisitions and qualified expenses	187,765	22,535
Unrestricted	(179,477)	423,400
Total net position	4,358,158	5,177,836
Total liabilities and net position	$ 4,959,572	$ 5,177,836

	2014	2013
Operating Revenues		
Interest income	$ 4,925	$ 1,788
Lease income	6,046	14,181
Total operating revenues	10,971	15,969
Operating Expenses		
Interest	2,844	8,239
Other	148	32
Professional fees	14,100	15,756
Total operating expenses	17,092	24,027
Operating loss	(6,121)	(8,058)
Nonoperating Revenue (Expenses)		
Sales Tax Income	183,000	-
Gain on disposal of asset	-	368
Total non operating revenue	183,000	368
Revenue in Excess of (Less Than) Expenses Before Government Transfers	176,879	(7,690)
Goverment Transfers		
Transfer of depreciation on equipment utilized by the Hospital	(399,838)	(429,050)
Transfer funds to pay qualified expenses of Hospital	(596,716)	-
Decrease in Net Position	(819,678)	(436,740)
Net Position, Beginning of Year	5,177,836	5,614,576
Net Position, End of Year	$ 4,358,158	$ 5,177,836

	2014	2013
Operating Activities		
Operating receipts	$ 460	$ (35,789)
Operating expenditures	(14,173)	(15,788)
Net Cash used for Operating Activities	(13,713)	(51,577)
Noncapital Financing Activities		
Proceeds from issuance of long term debt	600,000	-
Interest payments	(1,430)	-
Transfers to hospital for qualified operating expenses	(596,719)	-
Net Cash from Noncapital Financing Activites	1,851	-
Capital and Capital Related Financing Activities		
Principal payments on long term debt	-	(439,162)
Interest payments	-	(11,379)
Poceeds from sale of equipment	-	2,714
Property purchases	(17,807)	
Release of funds from county for property purchase	17,807	-
Net Cash used for Capital and Related Financing Activities	-	(447,827)
Investing Activities		
Advances on Hospital notes	(249,230)	-
Collections from Hospital notes		307,024
Proceeds from redemption of certificates of deposit	-	100,000
Net Cash from Investing Activities	(249,230)	407,024
Net Change in Cash	(261,092)	(92,380)
Cash, Beginning of Year	290,306	382,686
Cash, End of Year	$ 29,214	$ 290,306

	2014	2013
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (6,121)	$ (8,058)
Adjustments to reconcile operating loss to net cash from operating activities:		
Interest income held by the County	(112)	(130)
Interest expense considered financing activity	2,844	8,239
Changes in assets and liabilities		
Accrued interest receivable	(10,399)	2,272
Advances from related party	-	(53,900)
Net Cash Used for Operating Activities	$ (13,713)	$ (51,577)
Supplemental Disclosure of Cash Flow Information		
Transfer of non-cash assets from McCurtain County to the McCurtain County Hospital Authority		
Interest earned	$ 112	$ 130
Transfer depreciation on equipment utilized by the Hospital	(399,838)	(429,050)
Net transfer of non-cash assets	$ (399,726)	$ (428,920)

Note 1 - Organization and Significant Accounting Policies

Reporting Entity

McCurtain County Hospital Authority (Authority), a trust of which McCurtain County, Oklahoma, is beneficiary, was created by a trust indenture dated as of June 23, 1971, and amended as of September 18, 1972, to, among other things, construct, maintain and operate hospitals and other medical facilities for use by the United States of America, State of Oklahoma or any municipality or political subdivision of the State of Oklahoma.

On December 1, 1972, amended November 3, 1999, the County leased to the Authority all real and personal property relating to the hospital facilities owned by the County. In consideration of the lease, the Authority agreed to operate the hospital facilities owned by the County. The lease agreement terminates on December 31, 2022, with a renewal option by the Authority for a term of fifty years, but in no event is the termination of the lease agreement to occur prior to the date any obligations of the Authority have been paid in full or sufficient funds to pay these obligations are held in trust.

On April 1, 1975, (most recently amended November 3, 1999) the Authority subleased all real and personal property, unexpired contracts and leases, and revenue of the hospital to McCurtain Memorial Medical Management, Inc., d/b/a McCurtain Memorial Hospital (Hospital). This is a non-profit corporation created under "The Non-Profit Corporation Act" of the State of Oklahoma. Under the sublease agreement, the Hospital is managed and operated by McCurtain Memorial Medical Management, Inc., subject to the provisions of the lease agreement between the Authority and the County.

Measurement Focus and Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting using economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange like transactions are recognized when the exchange transaction takes place, while those from government mandated non-exchange transactions (principally federal and state grants and county appropriations) are recognized when all eligibility requirements are met. Operating revenues and expenses include exchange transactions and program specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific (such as county appropriations), sales taxes, property taxes, 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 is available.

Income Taxes

As an essential government function of McCurtain County, the Authority is exempt from 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.

Use of Estimates

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

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents.

Notes Receivable

Notes receivable are stated at principal amounts and are secured by Hospital revenue and property. Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balances. Management reviews all notes receivable balances periodically and estimates a portion, if any, of the balances that will not be collected.

Capital Assets

Capital asset acquisitions are capitalized and are recorded at cost. Capital assets donated for Authority operations are recorded as additions to net position at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

	Estimated Useful Life
Buildings and improvements	5-40 years
Fixed equipment	15-20 years
Major movable equipment	3-15 years

Basis of Presentation

The balance sheet displays the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Expendable for capital acquisition and qualified expenses-consist of assets restricted for the purchase of capital assets and improvements. Qualified expenses consist of Hospital supplies, utilities, medications, insurance and maintenance agreements.

Unrestricted is remaining net position that does not meet the definition of "net investment in capital assets," "expendable for debt service" or "expendable for capital acquisition."

Long-Term Debt

Long-term debt is reported as liabilities in the balance sheet.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with the rental of the Hospital facility, the Authority's principal activity. Non exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to maintain the facility in accordance with agreements.

Sales Tax Revenue

On January 14, 2014, McCurtain County held an election to vote on the allocation of sales tax monies to the Authority. The ordinance was passed to levy and assess a county excise (sales tax) of one fourth of one percent (1/4%) The sales tax began on April 1, 2014 and will last three years, ending March 31, 2017. The sales tax shall be used by the Authority in its discretion, to purchase equipment; pay the principal and interest incurred to finance the purchase of equipment and/or capital improvements for the Authority, including supplies, capital equipment and labor; pay for the cost of the annual independent audit of the accounting records of the Authority, and maintain the property of the Authority; and to assist McCurtain Memorial Medical Management, Inc., with supplies, utilities, medications, insurance, and equipment maintenance contracts. These funds may not be used for salaries, employee benefits, bonuses, employee travel, payroll taxes and expenses, or vehicles.

Note 2 - Deposits and Investments

State statutes require public trusts to invest monies in financial institutions only in collateralized or insured certificates of deposit and other evidences of deposit. It is the Authority's practice to mainly invest in demand and time deposit accounts and certificates of deposit. The following is a summary of deposits and investments at June 30, 2014 and 2013:

	2014	2013
Total Bank Balance		
Insured (FDIC)	$ 29,214	$ 288,053
Collateralized by securities held by the pledging financial institutions trust department in the Authority's name	-	-
Uninsured	-	2,253
Total	$ 29,214	$ 290,306
Total Carrying Value	$ 29,214	$ 290,306

Custodial credit risk is risk that in the event of bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At June 30, 2014 and 2013 the carrying amount of the Authority's deposits including certificates of deposits were $29,214 and $290,306 and the bank balances were $29,214 and $290,306. As of June 30, 2014 and 2013 $-0- and $2,253 were exposed to custodial credit risk.

Note 3 - Notes Receivable

The following is a summary for the notes receivable as of June 30, 2014 and 2013:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Within One Year
Due from Hospital (a)	$ 132,138	$ -	$ -	$ 132,138	$ 132,138
Due from Hospital (b)	-	134,230	-	134,230	134,230
Due from Hospital (c)	-	115,000	-	115,000	115,000
	$ 132,138	$ 249,230	$ -	$ 381,368	$ 381,368

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Within One Year
Due from Hospital	$ 439,162	$ -	$ 307,024	$ 132,138	$ 132,138

The terms and dates of the Authority's note receivable at June 30, 2014 and 2013, are as follows:

(a) 4.50 % note due from Hospital due on demand - Secured by Hospital revenue and property
(b) 4% note due from Hospital on demand – Unsecured.
(c) 4% note due from Hospital on demand – Unsecured.

The Hospital did not repay the notes by the original due dates. The Authority will not call the notes at this time.

Scheduled principal and interest repayments on notes receivable are as follows:

Year Ending June 30,	Principal	Interest
2015	$ 381,368	$ 15,915

Note 4 - Assets Limited as to Use

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2014 and 2013, is set forth in the following table:

	2014	2013
Due from County	$ 4,765	$ 22,535
Sales tax receivable	183,000	-
	$ 187,765	$ 22,535

Note 5 - Due from County

The previous sales tax for the Authority expired in 2010. The County retained a portion of sales collected on behalf of the Authority at the beginning of the year. On January 14, 2014 the voters approved a new sales tax ordinance beginning on April 1, 2014. The County collects and retains sales tax which was collected on behalf of the Authority.

Amounts are disbursed from the County upon receipt of approved purchase orders from the Authority. The remainder is retained by the County until the Authority forwards approved purchase orders. The following is a summary for the receivable from the County as of June 30, 2014 and 2013:

	2014	2013
Beginning Balance	$ 22,535	$ 22,405
Interest earned	4,765	130
Purchases	(22,535)	-
Ending Balance	$ 4,765	$ 22,535

Note 6 - Capital Assets

Capital asset additions, retirements, and balances for the years ended June 30, 2014 and 2013 were as follows:

	Balance June 30, 2013	Additions	Transfers	Reductions	Balance June 30, 2014
Building and improvements	$ 5,520,323	$ -	$ -	$ -	$ 5,520,323
Major moveable equipment	1,270,500	17,807	-	-	1,288,307
Fixed equipment	261,723	-	-	-	261,723
Totals at historical cost	7,052,546	17,807	-	-	7,070,353
Less accumulated depreciation					
Building and improvements	(1,210,904)	(304,391)	-	-	(1,515,295)
Major moveable equipment	(1,014,842)	(79,150)	-	-	(1,093,992)
Fixed equipment	(94,899)	(16,297)	-	-	(111,196)
Total accumulated depreciation	(2,320,645)	(399,838)	-	-	(2,720,483)
Capital assets, net	$ 4,731,901	$ 417,645	$ -	$ -	$ 4,349,870

	Balance June 30, 2012	Additions	Transfers	Reductions	Balance June 30, 2013
Building and improvements	$ 5,520,323	$ -	$ -	$ -	$ 5,520,323
Major moveable equipment	1,273,433	-	-	(2,933)	1,270,500
Fixed equipment	261,723	-	-	-	261,723
Totals at historical cost	7,055,479	-	-	(2,933)	7,052,546
Less accumulated depreciation					
Building and improvements	(899,012)	(311,892)	-	-	(1,210,904)
Major moveable equipment	(914,568)	(100,861)	-	587	(1,014,842)
Fixed equipment	(78,602)	(16,297)	-	-	(94,899)
Total accumulated depreciation	(1,892,182)	(429,050)	-	587	(2,320,645)
Capital assets, net	$ 5,163,297	$ (429,050)	$ -	$ (2,346)	$ 4,731,901

Note 7 - Long-Term Debt

Long-term debt consists of:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Within One Year
Note payable	$ -	$ 600,000	$ -	$ 600,000	$ 259,110

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Within One Year
Note payable	$ 439,162	$ -	$ 439,162	$ -	$ -

The terms and dates of the Authority's notes payable at June 30, 2014 and 2013, are as follows:

> 3% note payable to First National Bank due in monthly payments beginning in October 2014 and ending in June 2016. – Secured by Sales Tax
>
> 4.50% note payable to Rural Housing Service was paid off in December 2012. The secured mortgage was released.

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2015	$ 259,110	$ 16,643
2016	340,890	5,395
Total	$ 600,000	$ 22,038

Note 8 - Economic Dependency

The Authority received 94 % of its operating and nonoperating revenue from sales tax receipts.

Note 9 - Related Party Transactions

The Authority subleased to the Hospital, a 501(c) (3) non profit, the facilities and the property, real or personal or both, owned by or leased under the control of the Authority as set in the sublease agreement, including all buildings, structures, fixtures and other improvements now or hereafter constructed, erected or placed hereon. The original sublease was dated April 1, 1975. This sublease was executed to insure the more efficient management and operation of the Hospital for both the users of the facilities and the holders of the loans. As part of the amended and restated sublease agreement dated November 3, 1999, the Hospital agreed to pay rental to the

Authority for the debt service obligation as provided for in the loan documents. The Authority paid off the original debt service obligation early however, the Hospital is continuing to make monthly payments in accordance with the original payment plan established in the sub lease. The Hospital will fulfill its obligation to the Authority on demand.

At June 30, 2014 and 2013, the Hospital had paid $6,046 and $14,181, respectively, to the Authority for lease payments.

The Authority transfers amounts funded by sales tax revenue to the Hospital. The purpose of the funds transferred is to assist in paying for supplies, utilities, medications, insurance, and equipment maintenance contracts. During the years ended June 30, 2014 and 2013, the Authority transferred $996,554 and $429,050 in hospital operating expenses.

	2014	2013
Detail of transfers to Hospital		
Depreciation on equipment	(399,838)	(429,050)
Other operating expenses	(596,716)	-
	(996,554)	(429,050)

Note 10 - Subsequent Events

Subsequent to year end the Authority agreed to purchase an emergency back-up generator at a cost of approximately $178,000.

The Authority has evaluated subsequent events through October 15, 2014, the date which the financial statements were available to be issued.

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

Board of Trustees
McCurtain County Hospital Authority
Idabel, 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 accompanying balance sheet of McCurtain County Hospital Authority, as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, which collectively comprise McCurtain County Hospital Authority's basic financial statements and have issued our report thereon dated October 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered McCurtain County Hospital 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 McCurtain County Hospital Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the McCurtain County Hospital Authority's internal control.

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

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the accompanying Schedule of Findings to be material weaknesses: 2014-A and 2014-B.

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.

Compliance and Other Matters

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

McCurtain County Hospital Authority Response to Findings

McCurtain County Hospital Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. McCurtain County Hospital Authority's response was not subjected to auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Oklahoma City, Oklahoma
October 15, 2014

Material Weaknesses In Internal Control Over Financial Reporting

2014-A Preparation of Financial Statements

Criteria– Auditing standards require the auditor to assess the Authority's accounting staff's ability to apply General Accepted Accounting Principles (GAAP) on an ongoing basis.

Condition – A good system of internal control should provide for the preparation of the financial statements and footnotes in accordance with generally accepted accounting principles.

Effect – Material misstatements in the financial statements could occur and may be not prevented or detected and corrected by management in a timely manner.

Cause – This deficiency is due partially to limited resources in the financial reporting process due to budgetary constraints. Furthermore, management has elected to have the financial statements and footnotes prepared by the auditors.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions – Management accepts the risk associated with this condition. In addition management is responsible for reviewing the audit draft which mitigates some of this risk.

2014-B Segregation of Duties

Criteria– A properly designed system of internal control segregates the initiation, record keeping, and authorization of transactions.

Condition – During the course of our engagement, we noted that the Authority has limited staff completing incompatible accounting functions due to the size of the entity so that no one individual handles a transaction from its inception to completion.

Effect –The effect of this condition is individuals with incompatible duties could cause or create material misstatements in the financial statement that otherwise would not be detected or prevented.

Cause – The Authority's size and budget constraints limit the number of personnel and does not facilitate the segregation of duties necessary to adequately separate procedures..

Recommendation - It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions – Due to cost constraints, there will be no additional staff hired. Management accepts the risk associated with this condition.