Management's Discussion and Analysis and
Financial Statements
June 30, 2015 and 2014

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 statements of net position of McCurtain County Hospital Authority, (Authority) as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 net position of McCurtain County Hospital Authority as of June 30, 2015 and 2014, 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 26, 2015 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 26, 2015

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, 2015, 2014 and 2013. 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 increased in 2015 by $285,710 or 6% and decreased by $218,264 or 4% in 2014.
- Total liabilities increased in 2015 by $21,547 or 4% and increased by $601,414 or 100% in 2014.
- Operating revenues increased in 2015 by $6,546 or 60% and decreased by $4,998 or 31% in 2014.
- Operating loss increased in 2015 by $9,433 or 154% and decreased by $1,934 or 24% in 2014.
- The Authority's net position increased in 2015 by $264,163 or 6% compared with a decrease of $819,678 or 16% in 2014.
- In 2015 the Authority paid $105,740 of qualified expenses on behalf of the McCurtain Memorial Medical Management, Inc. (Hospital) and $596,716 in 2014. The Authority did not pay any qualified expenses of the Hospital in 2013.

Using This Annual Report

The Authority's financial statements consist of three statements - a Statement of Net Position; 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 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

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 Statement of Net Position 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

	2015	2014	2013
Assets			
Current assets	$ 746,240	$ 609,702	$ 423,400
Noncurrent cash and investments	-	-	22,535
Capital assets	4,499,042	4,349,870	4,731,901
Total assets	$ 5,245,282	$ 4,959,572	$ 5,177,836
Liabilities			
Current maturities	$ 478,432	$ 259,110	$ -
Other current liabilities	14,668	1,414	-
Long-term debt, noncurrent	129,861	340,890	-
Total liabilities	622,961	601,414	-
Net Position			
Net investment in capital assets	4,499,042	4,349,870	4,731,901
Restricted			
Expendable for capital acquisitions	313,358	187,765	22,535
Unrestricted	(190,079)	(179,477)	423,400
Total net position	4,622,321	4,358,158	5,177,836
Total liabilities and net position	$ 5,245,282	$ 4,959,572	$ 5,177,836

Total assets in 2015 increased by $285,710 or 6% as compared to 2014. The primary components of the increase in assets as follows:

- An increase in capital assets of $149,172 or 3% due primarily to the addition of the generator and electrical update.

- An increase in restricted cash and restricted sale receivables of $125,593 due primarily to the $774,000 of sales tax revenue in 2015, of which $124,745 was receivable at June 30, 2015,

Debt Administration

- In January 2015 the Authority refinanced a loan dated September 2014 which refinanced approximately $600,000 of previous debt and provided additional financing up to $205,909 maturing October 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

	2015	2014	2013
Operating Revenues			
Interest income	$ 11,571	$ 4,925	$ 1,788
Lease income	5,946	6,046	14,181
Total operating revenues	17,517	10,971	15,969
Operating Expenses			
Interest expense	17,647	2,844	8,239
Other	316	151	32
Professional fees	15,111	14,100	15,756
Total operating expenses	33,074	17,095	24,027
Operating Loss	(15,557)	(6,124)	(8,058)
Nonoperating Revenue (Expenses)			
Sales tax income	774,000	183,000	-
Gain/(loss) on disposal of asset	-	-	368
Revenue in Excess of (Less Than) Expenses before Government Transfers	758,443	176,876	(7,690)
Government Transfers			
Transfer of depreciation on equipment utilized by McCurtain Memorial Hospital	(388,540)	(399,838)	(429,050)
Transfer of funds to pay qualified expenses of the McCurtain Memorial Hospital	(105,740)	(596,716)	-
Change in net position	$ 264,163	$ (819,678)	$ (436,740)

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 2015 increased by $9,433 or 154% as compared to 2014 compared to decrease of $1,934 or 24% in 2014.The primary components of the decreasing operating loss are:

- A decrease in lease income of $100 or 2% compared with a decrease of $8,135 or 57% in 2014.
- An increase in interest income of $6,646 or 135% compared with an increase of $3,137 or 175% in 2014.
- An increase in interest expense of $14,803 or 520% compared with a decrease of $5,395 or 65% in 2014.

Nonoperating Revenues (Expense)

In January 2014, the citizens of McCurtain County approved a one-fourth 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 $774,000 and $183,000 of sales tax proceeds for the years ended June 30, 2015 and 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.

	2015	2014
Assets		
Current Assets		
Cash	$ 24,156	$ 29,214
Restricted cash	188,613	4,765
Restricted sales tax receivable	124,745	183,000
Notes receivable	381,368	381,368
Interest receivable	27,358	11,355
Total current assets	746,240	609,702
Capital Assets, Net	4,499,042	4,349,870
Total assets	$ 5,245,282	$ 4,959,572
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 478,432	$ 259,110
Construction Accounts Payable	13,918	-
Accrued interest payable	750	1,414
Total current liabilities	493,100	260,524
Long-Term Debt, Net of Current Maturities	129,861	340,890
Total liabilities	622,961	601,414
Net Position		
Invested in capital assets net of related debt	4,499,042	4,349,870
Restricted		
Expendable for capital acquisitions and qualified expenses	313,358	187,765
Unrestricted	(190,079)	(179,477)
Total net position	4,622,321	4,358,158
Total liabilities and net position	$ 5,245,282	$ 4,959,572

	2015	2014
Operating Revenues		
Interest income	$ 11,571	$ 4,925
Lease income	5,946	6,046
Total operating revenues	17,517	10,971
Operating Expenses		
Interest	17,647	2,844
Other	316	151
Professional fees	15,111	14,100
Total operating expenses	33,074	17,095
Operating loss	(15,557)	(6,124)
Nonoperating Revenue		
Sales tax income	774,000	183,000
Revenue in Excess of Expenses Before Government Transfers	758,443	176,876
Government Transfers		
Transfer of depreciation on equipment utilized by the McCurtain Memorial Hospital	(388,540)	(399,838)
Transfer funds to pay qualified expenses of McCurtain Memorial Hospital	(105,740)	(596,716)
Change in Net Position	264,163	(819,678)
Net Position, Beginning of Year	4,358,158	5,177,836
Net Position, End of Year	$ 4,622,321	$ 4,358,158

	2015	2014
Operating Activities		
Operating receipts	$ 1,514	$ 572
Operating expenditures	(15,427)	(14,251)
Net Cash used for Operating Activities	(13,913)	(13,679)
Noncapital Financing Activities		
Proceeds from issuance of debt	805,909	600,000
Interest payments	(18,311)	(1,430)
Principal payments on long term debt	(797,616)	-
Transfers to McCurtain Memorial Hospital for qualified operating expenses	(105,740)	(596,719)
Net Cash from Noncapital Financing Activities	(115,758)	1,851
Capital and Capital Related Financing Activities		
Sales tax restricted to capital acquisition and qualified expenses	832,255	-
Property purchases	(523,794)	(17,807)
Net Cash used for Capital and Related Financing Activities	308,461	(17,807)
Investing Activities		
Collections from Hospital notes	-	(249,230)
Net Change in Cash	178,790	(278,865)
Cash, Beginning of Year	33,976	312,841
Cash, End of Year	$ 212,766	$ 33,976
Reconciliation of Cash and Cash Equivalents to statement of Net Position		
Cash in current assets	$ 24,156	$ 29,214
Cash in noncurrent cash and receivables	188,613	4,765
	$ 212,769	$ 33,979
Statement of net position		

	2015	2014
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (15,557)	$ (6,124)
Adjustments to reconcile operating loss to net cash from operating activities:		
Interest expense considered financing activity	17,647	2,844
Changes in assets and liabilities		
Accrued interest receivable	(16,003)	(10,399)
Net Cash Used for Operating Activities	$ (13,913)	$ (13,679)

Supplemental Disclosure of Noncash Capital and Capital Related Financing activities		
Accounts payable for equipment	$ 13,918	$ -
Transfer depreciation on equipment utilized by the Hospital	$ (388,540)	$ (399,838)

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the McCurtain County Hospital Authority (Authority) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Authority are described below.

Reporting Entity

The Authority is 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.

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.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The Statement of Net Position 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 net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

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.

Restricted Cash and Sales Tax Receivable

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.

Restricted cash and sales tax receivable are set aside to be used in accordance with the sales tax ordinance for future capital improvements, debt redemption and payment of qualified expenses. Certificates of deposit and other deposits are recorded at historical cost. Other investments are measured at fair value.

Capital Assets

Capital asset acquisitions in excess of $500 are capitalized and are recorded at cost. 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

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

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.

Reclassifications

Reclassifications have been made to the June 30, 2014 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

Note 2 - Deposits and Investments

The carrying amounts of deposits and investments as of June 30, 2015 and 2014 are as follows:

	2015	2014
Carrying Amount		
Cash and deposits	$ 212,769	$ 33,979

Deposits and investments are reported in the following statement of net position captions:

	2015	2014
Cash	$ 24,156	$ 29,214
Restricted cash	188,613	4,765
	$ 212,769	$ 33,979

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Authority's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. 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 Authority's deposits in banks at June 30, 2015 and 2014 were entirely covered by federal depository insurance or collateral held by the Authority's custodial bank in the Authority's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Authority does not have a formally adopted investment policy for managing concentration of credit risk.

Note 3 - Notes Receivable

The following is a summary for the notes receivable as of June 30, 2015 and 2014:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	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
	$ 381,368	$ -	$ -	$ 381,368	$ 381,368

	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

The terms and dates of the Authority's note receivable at June 30, 2015 and 2014, 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
2016	$ 381,368	$ 15,915

Note 4 - Restricted Cash

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 in a pooled county treasury fund designated for the Authority.

Note 5 - Capital Assets

Capital asset additions, retirements, and balances for the years ended June 30, 2015 and 2014 were as follows:

	Balance June 30, 2014	Additions	Transfers	Reductions	Balance June 30, 2015
Capital assets not being depreciated					
Construction in progress	$ -	$ 3,250	$ -	$ -	$ 3,250
Capital assets being depreciated					
Building and improvements	$ 5,520,323	$ -	$ -	$ -	$ 5,520,323
Major moveable equipment	1,288,307	26,282	-	-	1,314,589
Fixed equipment	261,723	508,180	-	-	769,903
Total capital assets being depreciated	7,070,353	$ 534,462	$ -	$ -	7,604,815
Less accumulated depreciation					
Building and improvements	(1,515,295)	$ (296,890)	$ -	$ -	(1,812,185)
Major moveable equipment	(1,093,992)	(30,273)	-	-	(1,124,265)
Fixed equipment	(111,196)	(61,377)	-	-	(172,573)
Transportation equipment	-	-	-	-	-
Total accumulated depreciation	(2,720,483)	(388,540)	-	-	(3,109,023)
Net capital assets being depreciated	$ 4,349,870				$ 4,495,792
Capital assets, net	$ 4,349,870				$ 4,499,042

Construction in progress at June 30, 2015 represents an engineering study for a generator placed in service in May 2015. The study was completed in August 2015 for $9,750 and funded internally.

	Balance June 30, 2013	Additions	Transfers	Reductions	Balance June 30, 2014
Capital assets not being depreciated	$ -	$ -	$ -	$ -	$ -
Capital assets being depreciated					
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
Transportation equipment	-	-	-	-	-
Construction in progress *	-	-	-	-	-
Total capital assets being depreciated	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)
Transportation equipment	-	-	-	-	-
Total accumulated depreciation	(2,320,645)	$ (399,838)	$ -	$ -	(2,720,483)
Net capital assets being depreciated	$ 4,731,901				$ 4,349,870
Capital assets, net	$ 4,731,901				$ 4,349,870

Note 6 - Long-Term Debt

Long-term debt consists of:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Within One Year
Note payable	$ 600,000	$ 205,909	$ (197,616)	$ 608,293	$ 478,432

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

The terms and dates of the Authority's notes payable at June 30, 2015 and 2014, are as follows:

> Note dated September 2014 for $600,000 was refinanced at 3% and provided additional borrowing up to $836,377 in January 2015. The Authority is required to make monthly payments of $40,927 for principle and interest beginning in February 2015 and ending in October 2016. – Secured by sales tax.

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

Year Ending June 30,	Principal	Interest
2016	$ 478,432	$ 12,690
2017	129,861	1,270
Total	$ 608,293	$ 13,960

Note 7 - Economic Dependency

The Authority received 98% and 94% of its operating and nonoperating revenue from sales tax revenues for the years ended June 30, 2015 and 2014.

Note 8 - 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, 2015 and 2014, the Hospital had paid $5,946 and $6,046, 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, 2015 and 2014, the Authority transferred $494,280 and $996,554 in hospital operating expenses.

	2015	2014
Detail of transfers to Hospital		
Depreciation on equipment	$ (388,540)	$ (399,838)
Other operating expenses	(105,740)	(596,716)
	$ (494,280)	$ (996,554)

Note 9 - Subsequent Events

Subsequent to year end the Authority entered in to agreement to repair the air conditioning units, the cost is expected to be in the range of $50,000 to $60,000. The project is to be funded by the sales tax.

The Authority has evaluated subsequent events through October 26, 2015, the date which the financial statements were available to be issued.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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 statement of net position of McCurtain County Hospital Authority, (Authority) as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, which collectively comprise Authority's basic financial statements and have issued our report thereon dated October 26, 2015.

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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material 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: 2015-A and 2015-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 26, 2015

Material Weaknesses In Internal Control Over Financial Reporting

2015-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 – The year-end financial report is prepared by the auditors, a party outside of the Authority. The outside party does not have constant contact with ongoing financial transactions that the internal staff has. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting.

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.

2015-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.

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.