



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

Perry Memorial Hospital Authority

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Independent Auditor's Report

Board of Trustees
Perry Memorial Hospital Authority
Perry, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Perry Memorial Hospital Authority (Authority), which comprise the statements of net position 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 the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Authority'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 Authority'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 Perry Memorial Hospital Authority as of June 30, 2015 and 2014, and the changes in its 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 inquires 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 30, 2015 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
October 30, 2015

Introduction

Our discussion and analysis for Perry Memorial Hospital Authority and Controlled Entity (Authority) provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2015, 2014 and 2013. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

Organizational Highlights

- Completed and occupied Community Medical Clinic
- Recruitment of Dr. Cecil and completed start-up of physician practice
- Complete development of outsourcing of private pay program
- Recruited cardiology and OB/GYN physicians for specialty clinic
- Reduced controllable employee turnover by 9.1%
- Signed Billings Fairchild Laboratory contract
- Signed a contract for post-accident drug screening with The Charles Machine Works
- Received designation for Integris Telestroke
- Reduced consolidated net days in accounts receivable from 52.9 days at June, 30 2014 to 40.3 days at June 30, 2015

Financial Highlights

- Cash and cash equivalents decreased in 2015 by \$520,754 or 57% and increased by \$625,000 or 214% in 2014.
- The Authority's net position decreased in 2015 by \$1,359,582 or 11% and decreased \$1,048,895 or 8% in 2014.
- The Authority reported an operating loss in 2015 of \$1,423,261 and operating loss of \$1,126,013 in 2014. During 2015, operating loss increased by \$297,248 compared to 2014 and increased by \$900,557 in 2014 compared to 2013.
- Net nonoperating income decreased by \$13,438 or 17% in 2015 compared to 2014 and decreased \$1,928 or 2% in 2014 compared to 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 the 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 all 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 changes in the Authority's patient base and measures of the quality of service it provides to the community, as well 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. This 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 Authority's net position is the difference between its assets and liabilities reported in the Statement of Net Position. The Authority's net position decreased by \$1,359,582 or 11% in 2015 and decreased \$1,048,895 or 8% in 2014 as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$ 2,691,940	\$ 3,076,428	\$ 3,217,472
Capital assets, net	6,109,176	6,332,307	6,961,899
Noncurrent assets	<u>3,091,819</u>	<u>3,839,292</u>	<u>3,994,536</u>
Total assets	<u>\$ 11,892,935</u>	<u>\$ 13,248,027</u>	<u>\$ 14,173,907</u>
Liabilities			
Current	\$ 1,012,818	\$ 1,008,328	\$ 842,072
Long-term debt	<u>-</u>	<u>-</u>	<u>43,241</u>
Total liabilities	<u>1,012,818</u>	<u>1,008,328</u>	<u>885,313</u>
Net position			
Net investment in capital assets	6,109,176	6,332,307	6,841,685
Restricted			
Expendable	1,640	880	901
Nonexpendable	50,584	50,537	50,489
Unrestricted	<u>4,718,717</u>	<u>5,855,975</u>	<u>6,395,519</u>
Total net position	<u>10,880,117</u>	<u>12,239,699</u>	<u>13,288,594</u>
Total liabilities and net position	<u>\$ 11,892,935</u>	<u>\$ 13,248,027</u>	<u>\$ 14,173,907</u>

Assets, Liabilities and Net Position

The Authority's assets decreased by \$1,355,092 or 10% in 2015 and decreased by \$925,880 or 7% in 2014. Capital assets decreased \$223,131 or 4% due to depreciation and cash and cash equivalents decreased \$520,754 or 57% due to an increase in payments for operating activities. The Authority's liabilities increased by \$4,490 or 0.4% in 2015 and increased by \$123,015 or 14% in 2014.

Table 2: Operating Results and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues			
Net patient service revenue, net of provision for bad debts	\$ 6,850,353	\$ 5,788,131	\$ 7,057,825
Other revenues	<u>717,915</u>	<u>1,161,912</u>	<u>1,108,882</u>
Total operating revenues	<u>7,568,268</u>	<u>6,950,043</u>	<u>8,166,707</u>
Operating Expenses			
Nursing services	2,513,133	2,456,641	2,724,543
Other professional services	2,596,385	1,799,404	1,743,568
General services	856,448	837,649	932,058
Administrative services	2,359,788	2,213,001	2,285,470
Medical office building	27,766	20,752	21,431
Depreciation	<u>638,009</u>	<u>748,609</u>	<u>685,093</u>
Total operating expenses	<u>8,991,529</u>	<u>8,076,056</u>	<u>8,392,163</u>
Operating Loss	<u>(1,423,261)</u>	<u>(1,126,013)</u>	<u>(225,456)</u>
Nonoperating Revenues (Expenses)			
Investment income	53,291	65,792	74,219
Interest expense	-	(5,543)	(10,698)
Noncapital grants and contributions	10,341	7,797	16,551
Gain (loss) on sale of assets	<u>-</u>	<u>9,024</u>	<u>(1,074)</u>
Total nonoperating revenues	<u>63,632</u>	<u>77,070</u>	<u>78,998</u>
Revenues Less Than Expenses			
Before Capital Grants and Contributions	(1,359,629)	(1,048,943)	(146,458)
Capital Grants and Contributions	-	-	3,474
Restricted Contributions			
Additions to permanent endowments	<u>47</u>	<u>48</u>	<u>524</u>
Change in Net Position	<u>\$ (1,359,582)</u>	<u>\$ (1,048,895)</u>	<u>\$ (142,460)</u>

Operating Results

The first component of the overall change in the Authority's net position is its operating income - generally, the difference between net patient service revenues and the expenses incurred to perform those services.

The operating loss for 2015 increased by \$297,248 as compared to 2014 and increased in 2014 by \$900,557 compared to 2013. The primary components of the decreased operating income are:

- An increase in patient revenue, net of provision for bad debts, of \$1,062,222 or 18% as compared to a decrease in 2014 of \$1,269,694 or 18% as compared to 2013. Inpatient days increased 298 or 45% as compared to a decrease in 2014 of 540 or 45% as compared to 2013.
- A decrease in other revenue of \$443,997 or 38% as compared to an increase in 2014 of \$53,030 or 5% as compared to 2013.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest expense, investment earnings, noncapital grants and contributions. The investment income decreased in 2015 by \$12,501 or 19% and decreased \$8,427 or 11% in 2014. The noncapital grants and contributions decreased in 2015 by \$2,544 or 33% and decreased \$8,754 or 53% in 2014.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.

Capital Asset and Debt Administration

At the end of 2015, 2014, and 2013, the Authority had \$6,109,176; \$6,332,307; and \$6,961,899 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets costing \$414,878; \$178,925; and \$1,591,470 during 2015, 2014, and 2013.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, 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 administration by calling 580-336-3541.

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	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 395,653	\$ 916,407
Short-term investments	587,087	193,046
Accounts receivables		
Patients, net of estimated uncollectibles of approximately \$1,011,000 in 2015 and \$721,000 in 2014	894,787	869,191
Electronic health record incentive receivable	418,670	612,397
Other	856	149,123
Supplies	202,323	190,065
Prepaid expenses	192,564	146,199
	<u>2,691,940</u>	<u>3,076,428</u>
Capital Assets		
Capital assets not being depreciated	269,305	281,238
Capital assets being depreciated, net	5,839,871	6,051,069
	<u>6,109,176</u>	<u>6,332,307</u>
Other Assets		
Deposits	19,000	19,000
Noncurrent investments	3,005,819	3,742,292
Notes receivables	67,000	78,000
	<u>3,091,819</u>	<u>3,839,292</u>
	<u>\$ 11,892,935</u>	<u>\$ 13,248,027</u>

See Notes to Financial Statements

Perry Memorial Hospital Authority
 Statements of Net Position
 June 30, 2015 and 2014

	2015	2014
Liabilities and Net Position		
Current Liabilities		
Accounts payable		
Trade	\$ 547,058	\$ 395,431
Estimated third-party payor settlements	171,189	338,131
Accrued liabilities	294,571	274,766
Total current liabilities	1,012,818	1,008,328
Net Position		
Net investment in capital assets	6,109,176	6,332,307
Restricted		
Expendable for employee scholarships	1,640	880
Nonexpendable permanent endowments	50,584	50,537
Unrestricted	4,718,717	5,855,975
Total net position	10,880,117	12,239,699
Total liabilities and net position	\$ 11,892,935	\$ 13,248,027

Perry Memorial Hospital Authority
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Net patient service revenue (net of provision for bad debts of \$836,041 in 2015 and \$708,795 in 2014)	\$ 6,850,353	\$ 5,788,131
Other revenue	717,915	1,161,912
Total operating revenues	7,568,268	6,950,043
Operating Expenses		
Nursing services	2,513,133	2,456,641
Other professional services	2,596,385	1,799,404
General services	856,448	837,649
Administrative services	2,359,788	2,213,001
Medical office building	27,766	20,752
Depreciation	638,009	748,609
Total operating expenses	8,991,529	8,076,056
Operating Loss	(1,423,261)	(1,126,013)
Nonoperating Revenues (Expenses)		
Investment income	53,291	65,792
Noncapital grants and contributions	10,341	7,797
Interest expense	-	(5,543)
Gain on sale of assets	-	9,024
Net nonoperating revenues	63,632	77,070
Expenses in Excess of Revenues Before Restricted Contributions	(1,359,629)	(1,048,943)
Restricted Contributions		
Additions to permanent endowments	47	48
Change in Net Position	(1,359,582)	(1,048,895)
Net Position, Beginning of the Year	12,239,699	13,288,594
Net Position, End of Year	\$ 10,880,117	\$ 12,239,699

Perry Memorial Hospital Authority
 Statements of Cash Flows
 Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Receipts from and on behalf of patients	\$ 6,657,815	\$ 6,312,397
Other receipts and payments, net	1,058,952	1,335,097
Payments to suppliers and contractors	(3,380,410)	(2,924,517)
Payments to and on behalf of employees	(4,849,301)	(4,478,604)
	(512,944)	244,373
Net Cash from (used for) Operating Activities		
Noncapital Financing Activities		
Noncapital grants and contributions	10,341	7,797
Permanently restricted contributions	47	48
	10,388	7,845
Net Cash from Noncapital Financing Activities		
Capital and Capital Related Financing Activities		
Purchase and construction of capital assets	(414,878)	(178,925)
Principal paid on long-term debt	-	(70,357)
Interest paid	-	(5,543)
	(414,878)	(254,825)
Net Cash used for Capital and Capital Related Financing Activities		
Investing Activities		
Purchases of investments	(2,216,752)	(460,548)
Sales of investments	2,559,184	1,022,023
Investment income	54,248	66,132
	396,680	627,607
Net Cash from Investing Activities		
Increase (Decrease) in Cash and Cash Equivalents	(520,754)	625,000
Cash and Cash Equivalents, Beginning of Year	916,407	291,407
Cash and Cash Equivalents, End of Year	\$ 395,653	\$ 916,407

Perry Memorial Hospital Authority
 Statements of Cash Flows
 Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities		
Operating loss	\$ (1,423,261)	\$ (1,126,013)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation	638,009	748,609
Provision for bad debt	836,041	708,795
Changes in assets and liabilities		
Patient receivables	(861,637)	(421,534)
Electronic health record incentive receivable	193,727	317,600
Other receivables	147,310	(144,415)
Supplies	(12,258)	12,468
Prepays	(46,365)	(77,494)
Other assets	11,000	(35,947)
Accounts payable - trade	151,627	70,937
Estimated third-party payor settlements	(166,942)	237,005
Accrued liabilities	19,805	(45,638)
Net Cash from (used for) Operating Activities	\$ (512,944)	\$ 244,373

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Perry Memorial 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 Hospital are described below.

Reporting Entity

The Authority operates a 26-bed acute care hospital located in Perry, Oklahoma. The hospital building is leased from the City of Perry, Oklahoma to the Perry Memorial Hospital Authority, which is a public trust created under Title 60 Oklahoma Statute 1961. The Authority was created to aid in the financing and construction of the hospital and related facilities. The Trust indenture provides for a board of trustees to conduct the business of the Authority and to provide short-term acute care services for the citizens of Perry, Oklahoma, the beneficiaries of the Trust.

Blended Component Unit

The Perry Memorial Hospital Foundation (Foundation) was formed exclusively for charitable, scientific and educational purposes, and is operated for the benefit of the Authority. The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation is included as a blended component unit of the Authority. The financial statements include only the financial activity of the Authority and the Foundation, collectively referred to as the Authority. Financial statements of the Foundation can be obtained by contacting the Authority's administration by calling 580-336-3541.

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 and liabilities with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Restricted – nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority.

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 generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Short-term Investments and Investment Income

Short-term investments include certificates of deposit with an original maturity date of three to twelve months. Certificates of deposit are recorded at historical cost and interest income is reported as earned.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Authority's collections procedures. The Authority does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Notes Receivable

The Authority issued notes receivable to a medical student and physicians as part of its recruitment process. Notes are repayable over a minimum of an eighteen-month period to a maximum of a four-year period and are issued at an interest rate of prime plus 1%. The notes are issued with forgiveness provisions over the life of the note to encourage retention. Based on historical analysis, it is anticipated that the balance of the notes will be forgiven.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Capital Assets

Property and equipment acquisitions in excess of \$500 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Amortization is included in depreciation in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	10-12 years
Buildings and improvements	10-40 years
Fixed equipment	5-25 years
Major movable equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from operations, unless explicit donor stipulations specify how the donated assets must be used. 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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Noncurrent Investments and Investment Income

Noncurrent investments include certificates of deposit with a maturity date greater than twelve months. Certificates of deposit are recorded at historical cost and interest income is reported as earned.

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Compensated Absences

The Authority's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. The expense and the related liability for vacation benefits are recognized as earned whether the employee is expected to realize the benefit as time off or in cash. The expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined by using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date, plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

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 and expenses result from exchange transactions associated with providing health care services – the Authority's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are treated as nonoperating.

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. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services provided under the Authority's charity care policy were approximately \$64,000 and \$82,000 for the years ended June 30, 2015 and 2014. Total direct and indirect costs related to these foregone charges were approximately \$29,000 and \$32,000 at June 30, 2015 and 2014, based on an average ratio of cost to gross charges.

Grants and Contributions

From time to time, the Authority receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after expenses in excess of revenues.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that demonstrate meaningful use of certified Electronic Health Records (EHR) technology.

To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria. In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period. This attestation is subject to audit by the federal government or its designee. The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) an initial amount; (2) the Medicare share; and (3) a transition factor applicable to that payment year.

The Authority recognizes EHR incentive payments as revenue when there is reasonable assurance that the Hospital will comply with the conditions attached to the incentive payments. EHR incentive payments are included in other operating revenue in the accompanying financial statements. The amount of EHR incentive payments recognized are based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur.

The Authority recognized revenue of \$480,965 and \$941,348 for the years ended June 30, 2015 and 2014 related to EHR incentive payments. These incentive payments are included in other revenue in the accompanying financial statements. The Authority has recorded a receivable of \$418,670 and \$612,397 for EHR incentive payments as of June 30, 2015 and 2014.

Supplemental Hospital Offset Payment Program Act

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds to the state of Oklahoma from federal sources. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

The Authority made SHOPP payments totaling \$215,393 and \$183,092, included in administrative services, for the years ended June 30, 2015 and 2014. In return, the Authority received \$86,903 and \$90,213, included in net patient service revenue, for the years ended June 30, 2015 and 2014. In 2015 and 2014, the Authority received funds from the Oklahoma Hospital Association totaling \$116,833 and \$91,746 included as other revenue.

Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

Note 2 - 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. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are paid based on a prospectively determined amount per procedures. Home Health services are paid based on a prospectively determined amount per 60 day episode. The Authority's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2013.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates with no retrospective adjustment.

The Authority has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from the Medicare, Blue Cross and Blue Shield and Medicaid programs accounted for approximately 54%, 16%, and 9% of the Authority's gross patient service revenue for the year ended June 30, 2015 and 56%, 16% and 8% for the year ended June 30, 2014. Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue decreased approximately \$50,000 and \$135,000 for the years ended June 30, 2015 and 2014 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations, as well as changes in estimates on the allowance for contractual adjustments and doubtful accounts.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims subsequent to October 1, 2007, are reviewed by contractors for validity, accuracy, and proper documentation. The Authority has accrued a liability of \$44,439 and \$112,895 for potential RAC settlements as of June 30, 2015 and 2014. The estimate is based on historical overpayments identified.

Note 3 - Deposit and Investments

State statutes require public trusts to invest monies in financial institutions only in certificates of deposit and other evidences of deposit. State statutes also require all deposits of public funds be fully collateralized or insured. The Authority is in compliance with this statute at June 30, 2015 and 2014. 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, 2015 and 2014:

	2015	2014
Total Bank Balance		
Insured (FDIC)	\$ 983,912	\$ 781,206
Collateralized with securities held by the Authority's agent in the Authority's name	3,213,628	4,180,957
	\$ 4,197,540	\$ 4,962,163
 Total Carrying Value		
Cash and cash equivalents	\$ 395,653	\$ 916,407
Short-term investments	587,087	193,046
Noncurrent investments	3,005,819	3,742,292
	\$ 3,988,559	\$ 4,851,745

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Interest Rate Risk – The Authority's investment policy allows for investments in mutual funds, stocks, commercial paper, obligations of the federal government and certificate of deposits. The Authority's investment policy provides specific maturity limits to manage exposure to fair value losses arising from changing interest rates.

Investment Income

Investment income on cash and other investments consists primarily of interest income for the years ended June 30, 2015 and 2014.

Note 4 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014	Additions	Retirements and Transfers	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 264,619	\$ -	\$ -	\$ 264,619
Construction in progress	16,619	103,870	(115,803)	4,686
Total capital assets not being depreciated	<u>\$ 281,238</u>	<u>\$ 103,870</u>	<u>\$ (115,803)</u>	<u>\$ 269,305</u>
Capital assets being depreciated				
Land improvements	\$ 145,918	\$ 236,549	\$ -	\$ 382,467
Building and fixed equipment	4,513,203	-	-	4,513,203
Building improvement	5,617,415	-	-	5,617,415
Major moveable equipment	4,065,400	74,459	115,803	4,255,662
Total capital assets being depreciated	<u>14,341,936</u>	<u>\$ 311,008</u>	<u>\$ 115,803</u>	<u>14,768,747</u>
Less accumulated depreciation for				
Land improvements	120,089	\$ 21,527	\$ -	141,616
Building and building improvements	4,888,042	331,830	-	5,219,872
Major moveable equipment	3,282,736	284,652	-	3,567,388
Total accumulated depreciation	<u>8,290,867</u>	<u>\$ 638,009</u>	<u>\$ -</u>	<u>8,928,876</u>
Net capital assets being depreciated	<u>\$ 6,051,069</u>			<u>\$ 5,839,871</u>
Capital assets, net	<u>\$ 6,332,307</u>			<u>\$ 6,109,176</u>

Perry Memorial Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Retirements and Transfers	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 264,619	\$ -	\$ -	\$ 264,619
Construction in progress	1,614,079	80,972	(1,678,432)	16,619
Total capital assets not being depreciated	<u>\$ 1,878,698</u>	<u>\$ 80,972</u>	<u>\$ (1,678,432)</u>	<u>\$ 281,238</u>
Depreciable capital assets				
Land improvements	\$ 145,918	\$ -	\$ -	\$ 145,918
Building and fixed equipment	4,513,203	-	-	4,513,203
Building improvement	3,996,973	-	1,620,442	5,617,415
Major moveable equipment	3,928,531	78,879	57,990	4,065,400
Equipment under capital lease obligation	350,000	-	(350,000)	-
Total capital assets being depreciated	<u>12,934,625</u>	<u>\$ 78,879</u>	<u>\$ 1,328,432</u>	<u>14,341,936</u>
Less accumulated depreciation				
Land improvements	112,061	\$ 8,028	\$ -	120,089
Building and building improvements	4,564,399	323,643	-	4,888,042
Major moveable equipment	2,929,964	352,772	-	3,282,736
Capital leased equipment	245,000	64,166	(309,166)	-
Total accumulated depreciation	<u>7,851,424</u>	<u>\$ 748,609</u>	<u>\$ (309,166)</u>	<u>8,290,867</u>
Net capital assets being depreciated	<u>\$ 5,083,201</u>			<u>\$ 6,051,069</u>
Capital assets, net	<u>\$ 6,961,899</u>			<u>\$ 6,332,307</u>

Note 5 - Lease Obligations

The Authority leases certain equipment under noncancelable long-term lease agreements, which have been recorded as operating leases. Total lease expense for the years ended June 30, 2015 and 2014 for all operating leases was approximately \$181,000 and \$75,000.

Minimum future lease payments for the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2016	\$ 106,140
2017	93,300
Total minimum lease payables	<u>\$ 199,440</u>

Note 6 - Retirement Plan

The Authority has established Perry Memorial Hospital Retirement Plan (Plan), a defined contribution plan. A third-party has been contracted to administer the plan. Substantially all employees of the Authority participate in the Plan. Covered employees (those employees who have attained the age of 21 and have worked 1,248 hours) are required by the Plan to contribute 1% of their eligible compensation. After one year of employment, the employer will match employee contributions up to 2% of the employees' eligible compensation. The contributions for the year ended June 30, 2015 were \$184,132 which consisted of \$43,941 from the employer and \$140,191 from employees. The contributions for the year ended June 30, 2014 were \$147,851 which consisted of \$47,603 from the employer and \$100,248 from employees. The contributions for the year ended June 30, 2013 were \$136,546 which consisted of \$44,253 from the employer and \$92,293 from employees. Benefits begin to vest after three years of service, with full vesting after seven years of service.

Note 7 - Endowments and Restricted Net Position

Restricted expendable net position is available for the following purposes at June 30, 2015 and 2014:

	2015	2014
Health Care Services		
Employee scholarships	\$ 1,640	\$ 880

Restricted nonexpendable net position at June 30, 2015 and 2014 represents the principal amounts of permanent endowments, restricted to investment in perpetuity. Investments earnings from the Authority's permanent endowments are expendable to support the following purposes, as established by the contributor:

	2015	2014
Health Care Services		
Employee scholarships	\$ 50,584	\$ 50,537

Note 8 - Related Party Transactions

The Authority Board of Trustees has a management agreement with Quorum Health Resources, LLC. This agreement is a defined service agreement for managing the day-to-day operations of the Authority through June 30, 2018. During the years ended June 30, 2015 and 2014, the Authority incurred fees to Quorum Health Resources, LLC for management services of \$456,839 and \$519,096.

Prior to March 4, 2013, the Authority had several lease agreements with the City of Perry for real property, land improvements and equipment. On March 4, 2013, the Authority signed a lease consolidation and amendment agreement with the City of Perry. The new lease is for additional real property and consolidates the previous leases into one lease. Rent is \$10 and due at commencement of the lease. The new lease will expire on March 3, 2038.

Note 9 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2015 and 2014, was as follows:

	2015	2014
Medicare	28%	36%
Medicaid	3%	4%
Self pay	42%	33%
Other	27%	27%
	100%	100%

Note 10 - Contingencies

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; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Authority has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigations, Claims, and Disputes

The Authority is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Authority.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Note 11 - Condensed Combining Information

The following summarizes combining information for the Authority and Foundation, which has been presented as a blended component unit, as of and for the year ended June 30, 2015:

Statement of net position as of June 30, 2015

	Authority	Foundation	Total
Assets			
Current assets	\$ 2,616,060	\$ 75,880	\$ 2,691,940
Capital assets, net	6,109,176	-	6,109,176
Other noncurrent assets	2,810,758	281,061	3,091,819
Total assets	\$ 11,535,994	\$ 356,941	\$ 11,892,935
Liabilities			
Current liabilities	\$ 1,012,818	-	1,012,818
Net Position			
Net investment in capital assets	6,109,176	-	6,109,176
Restricted, expendable for employee scholarships	-	1,640	1,640
Restricted, nonexpendable permanent endowments	-	50,584	50,584
Unrestricted	4,414,000	304,717	4,718,717
Total net position	10,523,176	356,941	10,880,117
Total liabilities and net position	\$ 11,535,994	\$ 356,941	\$ 11,892,935

Revenues, expenses and changes in net position for the year ended June 30, 2015:

	<u>Authority</u>	<u>Foundation</u>	<u>Total</u>
Operating Revenues			
Net patient service revenue	\$ 6,850,353	\$ -	\$ 6,850,353
Other revenue	717,915	-	717,915
	<u>7,568,268</u>	<u>-</u>	<u>7,568,268</u>
Operating Expenses			
Depreciation	638,009	-	638,009
Other operating expenses	8,344,588	8,932	8,353,520
	<u>8,982,597</u>	<u>8,932</u>	<u>8,991,529</u>
Operating Loss	(1,414,329)	(8,932)	(1,423,261)
Nonoperating Revenues	<u>50,782</u>	<u>12,850</u>	<u>63,632</u>
Expenses in Excess of Revenues Before Restricted Contributions	(1,363,547)	3,918	(1,359,629)
Restricted Contributions	<u>-</u>	<u>47</u>	<u>47</u>
Change in Net Position	(1,363,547)	3,965	(1,359,582)
Net Position, Beginning of Year	<u>11,886,723</u>	<u>352,976</u>	<u>12,239,699</u>
Net Position, End of Year	<u>\$ 10,523,176</u>	<u>\$ 356,941</u>	<u>\$ 10,880,117</u>

Perry Memorial Hospital Authority
Notes to Financial Statements
June 30, 2015 and 2014

Cash flows for the year ended June 30, 2015:

	<u>Authority</u>	<u>Foundation</u>	<u>Total</u>
Net Cash from (used for) Operating Activities	\$ (516,862)	\$ 3,918	\$ (512,944)
Net Cash from Noncapital Financing Activities	10,388	-	10,388
Net Cash used for Capital and Capital Related Financing Activities	(414,878)	-	(414,878)
Net Cash from Investing Activities	<u>389,284</u>	<u>7,396</u>	<u>396,680</u>
Net Change in Cash and Cash Equivalents	(532,068)	11,314	(520,754)
Cash and Cash Equivalents, Beginning of Year	<u>904,231</u>	<u>12,176</u>	<u>916,407</u>
Cash and Cash Equivalents, End of Year	<u>\$ 372,163</u>	<u>\$ 23,490</u>	<u>\$ 395,653</u>

The following summarizes combining information for the Authority and Foundation, which has been presented as a blended component unit, as of and for the year ended June 30, 2014:

Statement of net position as of June 30, 2014:

	<u>Authority</u>	<u>Foundation</u>	<u>Total</u>
Assets			
Current Assets	\$ 3,002,054	\$ 74,374	\$ 3,076,428
Capital assets, net	6,332,307	-	6,332,307
Other noncurrent assets	<u>3,560,690</u>	<u>278,602</u>	<u>3,839,292</u>
Total assets	<u>\$ 12,895,051</u>	<u>\$ 352,976</u>	<u>\$ 13,248,027</u>
Liabilities			
Current liabilities	<u>\$ 1,008,328</u>	<u>\$ -</u>	<u>1,008,328</u>
Net Position			
Net investment in capital assets	6,332,307	-	6,332,307
Restricted, expendable for employee scholarships	-	880	880
Restricted, nonexpendable permanent endowments	-	50,537	50,537
Unrestricted	<u>5,554,416</u>	<u>301,559</u>	<u>5,855,975</u>
Total net position	<u>11,886,723</u>	<u>352,976</u>	<u>12,239,699</u>
Total liabilities and net position	<u>\$ 12,895,051</u>	<u>\$ 352,976</u>	<u>\$ 13,248,027</u>

Revenues, expenses and changes in net position for the year ended June 30, 2014:

	<u>Authority</u>	<u>Foundation</u>	<u>Total</u>
Operating Revenues			
Net patient service revenue	\$ 5,788,131	\$ -	\$ 5,788,131
Other revenue	1,161,912	-	1,161,912
Total operating revenues	6,950,043	-	6,950,043
Operating Expenses			
Depreciation	748,609	-	748,609
Other operating expenses	7,318,670	8,777	7,327,447
Total operating expenses	8,067,279	8,777	8,076,056
Operating Loss	(1,117,236)	(8,777)	(1,126,013)
Nonoperating Revenues	68,313	8,757	77,070
Expenses in Excess of Revenues Before Restricted Contributions	(1,048,923)	(20)	(1,048,943)
Restricted Contributions	-	48	48
Change in Net Position	(1,048,923)	28	(1,048,895)
Net Position, Beginning of Year	12,935,646	352,948	13,288,594
Net Position, End of Year	\$ 11,886,723	\$ 352,976	\$ 12,239,699

Cash flows for the year ended June 30, 2014:

	<u>Authority</u>	<u>Foundation</u>	<u>Total</u>
Net Cash from Operating Activities	\$ 244,345	\$ 28	\$ 244,373
Net Cash from Noncapital Financing Activities	7,845	-	7,845
Net Cash used for Capital and Capital Related Financing Activities	(254,825)	-	(254,825)
Net Cash from (used for) Investing Activities	<u>632,676</u>	<u>(5,069)</u>	<u>627,607</u>
Net Change in Cash and Cash Equivalents	630,041	(5,041)	625,000
Cash and Cash Equivalents, Beginning of Year	<u>274,190</u>	<u>17,217</u>	<u>291,407</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 904,231</u></u>	<u><u>\$ 12,176</u></u>	<u><u>\$ 916,407</u></u>



Supplementary Information
June 30, 2015 and 2014

Perry Memorial Hospital Authority



Independent Auditor's Report on Supplementary Information

The Board of Trustees
Perry Memorial Hospital Authority
Perry, Oklahoma

We have audited the financial statements of the Perry Memorial Hospital Authority as of and for the years ended June 30, 2015 and 2014, and our report thereon dated October 30, 2015 which expressed an unmodified opinion on those financial statements, appears on pages 1 through 2. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of net patient service revenue, other revenue, and expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Oklahoma City, Oklahoma
October 30, 2015

Perry Memorial Hospital Authority
Schedules of Net Patient Service Revenue
Years Ended June 30, 2015 and 2014

	2015	2014
Daily Patient Services		
Medical and surgical	\$ 845,359	\$ 603,800
Swing bed	659,650	732,770
	1,505,009	1,336,570
Other Nursing Services		
Central service supplies	450,034	348,937
Emergency services	3,277,331	3,367,048
Home health	555,977	567,813
Operating and recovery rooms	423,280	481,076
	4,706,622	4,764,874
Other Professional Services		
Industrial service	40,135	40,200
Inhalation therapy	658,048	577,338
Laboratory	3,601,166	4,089,045
Pharmacy	1,118,058	1,119,064
Physical therapy	1,016,716	968,829
Physician practice	1,034,444	345,421
Radiology	4,743,427	4,334,354
	12,211,994	11,474,251
Charity Care	(63,800)	(82,297)
Total patient service revenue	18,359,825	17,493,398
Reductions from Revenue		
Contractual adjustments	(10,673,431)	(10,996,472)
Provision for bad debts	(836,041)	(708,795)
	(11,509,472)	(11,705,267)
Total reductions from revenue	(11,509,472)	(11,705,267)
Net Patient Service Revenue	\$ 6,850,353	\$ 5,788,131

Perry Memorial Hospital Authority
Schedules of Other Operating Revenue
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Other Revenue		
Cafeteria	\$ 11,910	\$ 21,673
Government incentive for electronic health records	480,965	941,348
Supplemental Hospital Offset Payment Program Act	116,833	91,746
Rental income - Hospital annex	13,600	20,400
Rental income - Medical office building	51,527	50,113
Rental income - Specialty clinic	15,815	14,950
Miscellaneous	<u>27,265</u>	<u>21,682</u>
Total Other Revenue	<u>\$ 717,915</u>	<u>\$ 1,161,912</u>

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2015

	Perry Memorial Hospital Foundation	Perry Memorial Hospital Authority		Total
	Other	Salaries	Other	
Nursing Services				
Medical and surgical	\$ -	\$ 803,189	\$ 75,377	\$ 878,566
Central services and supply	-	65,786	87,506	153,292
Emergency services	-	286,746	835,722	1,122,468
Home health	-	195,133	26,978	222,111
Operating and recovery rooms	-	73,901	62,795	136,696
	<u>\$ -</u>	<u>\$ 1,424,755</u>	<u>\$ 1,088,378</u>	<u>\$ 2,513,133</u>
Other Professional Services				
Industrial services	\$ -	\$ 239	\$ 3,514	\$ 3,753
Inhalation therapy	-	39,065	25,698	64,763
Laboratory	-	329,543	352,867	682,410
Pharmacy	-	32,686	184,717	217,403
Physical therapy	-	200,959	7,753	208,712
Physician practice	-	605,681	259,918	865,599
Radiology	-	256,499	273,313	529,812
Specialty clinic	-	21,404	2,529	23,933
	<u>\$ -</u>	<u>\$ 1,486,076</u>	<u>\$ 1,110,309</u>	<u>\$ 2,596,385</u>
General Services				
Dietary	\$ -	\$ 63,425	\$ 84,593	\$ 148,018
Housekeeping	-	76,042	37,169	113,211
Laundry and linen	-	-	51,681	51,681
Medical records	-	197,469	75,448	272,917
Plant operations	-	71,755	198,866	270,621
	<u>\$ -</u>	<u>\$ 408,691</u>	<u>\$ 447,757</u>	<u>\$ 856,448</u>
Administrative Services				
Administrative and office	\$ 8,932	\$ 745,593	\$ 679,684	\$ 1,434,209
Employee benefits	-	-	802,857	802,857
Insurance	-	-	122,722	122,722
	<u>\$ 8,932</u>	<u>\$ 745,593</u>	<u>\$ 1,605,263</u>	<u>\$ 2,359,788</u>
Medical Office Building	<u>\$ -</u>	<u>\$ 12,134</u>	<u>\$ 15,632</u>	<u>\$ 27,766</u>
Depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,009</u>	<u>\$ 638,009</u>

Perry Memorial Hospital Authority
Schedules of Operating Expenses
Years Ended June 30, 2015 and 2014

2014

Perry Memorial Hospital Foundation	Perry Memorial Hospital Authority		
Other	Salaries	Other	Total
\$ -	\$ 811,781	\$ 78,284	\$ 890,065
-	57,577	76,061	133,638
-	287,631	799,709	1,087,340
-	178,417	21,867	200,284
-	80,738	64,576	145,314
<u>\$ -</u>	<u>\$ 1,416,144</u>	<u>\$ 1,040,497</u>	<u>\$ 2,456,641</u>
\$ -	\$ 189	\$ 2,440	\$ 2,629
-	37,781	24,450	62,231
-	328,128	295,450	623,578
-	31,050	177,028	208,078
-	178,290	28,275	206,565
-	146,545	50,600	197,145
-	250,596	223,502	474,098
-	22,432	2,648	25,080
<u>\$ -</u>	<u>\$ 995,011</u>	<u>\$ 804,393</u>	<u>\$ 1,799,404</u>
\$ -	\$ 87,361	\$ 75,417	\$ 162,778
-	93,594	20,564	114,158
-	-	45,998	45,998
-	192,469	77,762	270,231
-	57,543	186,941	244,484
<u>\$ -</u>	<u>\$ 430,967</u>	<u>\$ 406,682</u>	<u>\$ 837,649</u>
\$ 8,777	\$ 764,386	\$ 656,179	\$ 1,429,342
-	-	783,659	783,659
-	-	-	-
<u>\$ 8,777</u>	<u>\$ 764,386</u>	<u>\$ 1,439,838</u>	<u>\$ 2,213,001</u>
<u>\$ -</u>	<u>\$ 6,852</u>	<u>\$ 13,900</u>	<u>\$ 20,752</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,609</u>	<u>\$ 748,609</u>



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
Perry Memorial Hospital Authority
Perry, 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 Perry Memorial Hospital Authority (Authority) as of June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2015.

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 opinions 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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Oklahoma City, Oklahoma
October 30, 2015