



Management's Discussion and Analysis and  
Financial Statements  
June 30, 2016 and 2015

**Perry Memorial Hospital Authority**

Perry Memorial Hospital Authority

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June 30, 2016 and 2015

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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, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the 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 audit. We conducted our audit 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 financial position of Perry Memorial Hospital Authority as of June 30, 2016 and 2015, 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 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 31, 2016 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
October 31, 2016

## **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, 2016, 2015 and 2014. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

## **Organizational Highlights**

- Added Dr. Goff an ENT specialty physician to the specialty clinic.
- Added Dr. Wang a pain management physician to the specialty clinic.
- Successfully recruited a new CEO.
- Started a foot clinic in Physical Therapy.
- Celebrated our 65th anniversary in April of 2016.

## **Financial Highlights**

- Cash and cash equivalents decreased in 2016 by \$50,837 or 13% and decreased by \$520,754 or 57% in 2015.
- The Authority's net position decreased in 2016 by \$1,562,086 or 14% and decreased \$1,359,582 or 11% in 2015.
- The Authority reported an operating loss in 2016 of \$1,645,535 and \$1,423,261 in 2015. During 2016, operating loss increased by \$222,274 compared to 2015 and increased by \$297,248 in 2015 compared to 2014.
- Net nonoperating income increased by \$19,801 or 31% in 2016 compared to 2015 and decreased \$13,438 or 17% in 2015 compared to 2014.

## **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 \$1,562,086 or 14% in 2016 and decreased \$1,359,582 or 11% in 2015 as shown in Table 1.

**Table 1: Assets, Liabilities, and Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current assets	\$ 2,309,480	\$ 2,691,940	\$ 3,076,428
Capital assets, net	5,567,296	6,109,176	6,332,307
Noncurrent assets	<u>2,273,453</u>	<u>3,091,819</u>	<u>3,839,292</u>
Total assets	<u>\$ 10,150,229</u>	<u>\$ 11,892,935</u>	<u>\$ 13,248,027</u>
Liabilities			
Current	<u>\$ 832,198</u>	<u>\$ 1,012,818</u>	<u>\$ 1,008,328</u>
Net position			
Net investment in capital assets	5,567,296	6,109,176	6,332,307
Restricted			
Expendable	1,641	1,640	880
Nonexpendable	50,600	50,584	50,537
Unrestricted	<u>3,698,494</u>	<u>4,718,717</u>	<u>5,855,975</u>
Total net position	<u>9,318,031</u>	<u>10,880,117</u>	<u>12,239,699</u>
Total liabilities and net position	<u>\$ 10,150,229</u>	<u>\$ 11,892,935</u>	<u>\$ 13,248,027</u>

**Assets, Liabilities and Net Position**

The Authority's assets decreased by \$1,742,706 or 15% in 2016 and \$1,355,092 or 10% in 2015. Capital assets decreased \$541,880 or 9% in 2016 due to depreciation and cash and cash equivalents decreased \$50,837 or 13% in 2016 due to an increase in payments for operating activities. Capital assets decreased \$223,131 or 4% in 2014 due to depreciation and cash and cash equivalents decreased \$520,754 or 57% in 2014 due to an increase in payments for operating activities. The Authority's liabilities decreased by \$180,620 or 18% in 2016 and increased by \$4,490 or 0.4% in 2015.

**Table 2: Operating Results and Changes in Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues			
Net patient service revenue, net of provision for bad debts	\$ 6,882,780	\$ 6,850,353	\$ 5,788,131
Other revenues	280,645	717,915	1,161,912
Total operating revenues	<u>7,163,425</u>	<u>7,568,268</u>	<u>6,950,043</u>
Operating Expenses			
Nursing services	2,367,373	2,513,133	2,456,641
Other professional services	2,519,767	2,596,385	1,799,404
General services	976,592	856,448	837,649
Administrative services	2,327,776	2,359,788	2,213,001
Medical office building	32,771	27,766	20,752
Depreciation	584,681	638,009	748,609
Total operating expenses	<u>8,808,960</u>	<u>8,991,529</u>	<u>8,076,056</u>
Operating Loss	<u>(1,645,535)</u>	<u>(1,423,261)</u>	<u>(1,126,013)</u>
Nonoperating Revenues (Expenses)			
Investment income	31,382	53,291	65,792
Interest expense	-	-	(5,543)
Noncapital grants and contributions	52,051	10,341	7,797
Gain on sale of assets	-	-	9,024
Total nonoperating revenues	<u>83,433</u>	<u>63,632</u>	<u>77,070</u>
Revenues Less Than Expenses Before Restricted Contributions	(1,562,102)	(1,359,629)	(1,048,943)
Restricted Contributions			
Additions to permanent endowments	<u>16</u>	<u>47</u>	<u>48</u>
Change in Net Position	<u>\$ (1,562,086)</u>	<u>\$ (1,359,582)</u>	<u>\$ (1,048,895)</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 2016 increased by \$222,274 as compared to 2015 and increased in 2015 by \$297,248 compared to 2014. The primary components of the decreased operating income are:

- An increase in patient revenue, net of provision for bad debts, of \$32,427 or 0.5% as compared to an increase in 2015 of \$1,062,222 or 18% as compared to 2014. Inpatient days decreased 265 or 28% as compared to an increase in 2015 of 298 or 45% as compared to 2014.
- A decrease in other revenue of \$437,270 or 61% as compared to a decrease in 2015 of \$443,997 or 38% as compared to 2014.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of investment earnings, and noncapital grants and contributions. The investment income decreased in 2016 by \$21,909 or 41% and decreased \$12,501 or 19% in 2015. The noncapital grants and contributions increased in 2016 by \$41,710 or 403% and increased \$2,544 or 33% in 2015.

### **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 2016, 2015, and 2014, the Authority had \$5,567,296; \$6,109,176; and \$6,332,307 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets costing \$42,801; \$414,878; and \$178,925 during 2016, 2015, and 2014.

### **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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	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 344,816	\$ 395,653
Short-term investments	731,680	587,087
Accounts receivables		
Patients, net of estimated uncollectibles of approximately \$751,000 in 2016 and \$1,011,000 in 2015	877,794	894,787
Electronic health record incentive receivable	36,505	418,670
Other	13,314	856
Supplies	190,549	202,323
Prepaid expenses	114,822	192,564
	<u>2,309,480</u>	<u>2,691,940</u>
<b>Capital Assets</b>		
Capital assets not being depreciated	266,407	269,305
Capital assets being depreciated, net	5,300,889	5,839,871
	<u>5,567,296</u>	<u>6,109,176</u>
<b>Other Assets</b>		
Deposits	-	19,000
Noncurrent investments	2,212,453	3,005,819
Notes receivables	61,000	67,000
	<u>2,273,453</u>	<u>3,091,819</u>
	<u>2,273,453</u>	<u>3,091,819</u>
<b>Total assets</b>	<u><u>\$ 10,150,229</u></u>	<u><u>\$ 11,892,935</u></u>

See Notes to Financial Statements

Perry Memorial Hospital Authority  
 Statements of Net Position  
 June 30, 2016 and 2015

	2016	2015
Liabilities and Net Position		
Current Liabilities		
Accounts payable		
Trade	\$ 448,102	\$ 547,058
Estimated third-party payor settlements	57,133	171,189
Accrued liabilities	326,963	294,571
Total current liabilities	832,198	1,012,818
Net Position		
Net investment in capital assets	5,567,296	6,109,176
Restricted		
Expendable for employee scholarships	1,641	1,640
Nonexpendable permanent endowments	50,600	50,584
Unrestricted	3,698,494	4,718,717
Total net position	9,318,031	10,880,117
Total liabilities and net position	\$ 10,150,229	\$ 11,892,935

Perry Memorial Hospital Authority  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Net patient service revenue (net of provision for bad debts of \$1,000,021 in 2016 and \$836,041 in 2015)	\$ 6,882,780	\$ 6,850,353
Other revenue	280,645	717,915
Total operating revenues	7,163,425	7,568,268
Operating Expenses		
Nursing services	2,367,373	2,513,133
Other professional services	2,519,767	2,596,385
General services	976,592	856,448
Administrative services	2,327,776	2,359,788
Medical office building	32,771	27,766
Depreciation	584,681	638,009
Total operating expenses	8,808,960	8,991,529
Operating Loss	(1,645,535)	(1,423,261)
Nonoperating Revenues		
Investment income	31,382	53,291
Noncapital grants and contributions	52,051	10,341
Net nonoperation revenues	83,433	63,632
Expenses in Excess of Revenues Before Restricted Contributions	(1,562,102)	(1,359,629)
Restricted Contributions		
Additions to permanent endowments	16	47
Change in Net Position	(1,562,086)	(1,359,582)
Net Position, Beginning of the Year	10,880,117	12,239,699
Net Position, End of Year	\$ 9,318,031	\$ 10,880,117

Perry Memorial Hospital Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Receipts from and on behalf of patients	\$ 6,785,717	\$ 6,657,815
Other receipts and payments, net	650,352	1,058,952
Payments to suppliers and contractors	(3,820,317)	(3,380,410)
Payments to and on behalf of employees	(4,356,010)	(4,849,301)
	(740,258)	(512,944)
Net Cash used for Operating Activities		
Noncapital Financing Activities		
Noncapital grants and contributions	52,051	10,341
Permanently restricted contributions	16	47
	52,067	10,388
Net Cash from Noncapital Financing Activities		
Capital and Capital Related Financing Activities		
Purchase and construction of capital assets	(42,801)	(414,878)
	(42,801)	(414,878)
Investing Activities		
Purchases of investments	(608,057)	(2,216,752)
Sales of investments	1,256,830	2,559,184
Investment income	31,382	54,248
	680,155	396,680
Net Cash from Investing Activities		
Decrease in Cash and Cash Equivalents	(50,837)	(520,754)
Cash and Cash Equivalents, Beginning of Year	395,653	916,407
Cash and Cash Equivalents, End of Year	\$ 344,816	\$ 395,653

Perry Memorial Hospital Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,645,535)	\$ (1,423,261)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	584,681	638,009
Provision for bad debt	1,000,021	836,041
Changes in assets and liabilities		
Patient receivables	(983,028)	(861,637)
Electronic health record incentive receivable	382,165	193,727
Other receivables	(12,458)	147,310
Supplies	11,774	(12,258)
Prepays	77,742	(46,365)
Deposits and notes receivable	25,000	11,000
Accounts payable - trade	(98,956)	151,627
Estimated third-party payor settlements	(114,056)	(166,942)
Accrued liabilities	32,392	19,805
Net Cash used for Operating Activities	\$ (740,258)	\$ (512,944)

## **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 as nonoperating revenue.

**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 \$85,000 and \$64,000 for the years ended June 30, 2016 and 2015. Total direct and indirect costs related to these foregone charges were approximately \$40,000 and \$29,000 at June 30, 2016 and 2015, 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 \$91,217 and \$480,965 for the years ended June 30, 2016 and 2015 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 \$36,505 and \$418,670 for EHR incentive payments as of June 30, 2016 and 2015.

### **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 \$184,859 and \$215,393, included in administrative services, for the years ended June 30, 2016 and 2015. In return, the Authority received \$103,089 and \$90,213, included in net patient service revenue, for the years ended June 30, 2016 and 2015. In 2016 and 2015, the Authority received funds from the Oklahoma Hospital Association totaling \$81,770 and \$116,833, 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, 2014.

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.

Concentration of gross revenues by major payor accounted for the following percentages of the Authority's patient service revenues for the years ended June 30, 2016 and 2015:

	2016	2015
Medicare	55%	54%
Medicaid	9%	9%
Blue Cross	12%	16%
Other commercial payors	17%	13%
Self pay and other	7%	8%
	100%	100%

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 \$95,000 and \$50,000 for the years ended June 30, 2016 and 2015 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 \$35,000 and \$44,439 for potential RAC settlements as of June 30, 2016 and 2015. 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, 2016 and 2015. 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, 2016 and 2015:

	2016	2015
Total Bank Balance		
Insured (FDIC)	\$ 868,802	\$ 983,912
Collateralized with securities held by the Authority's agent in the Authority's name	2,451,485	3,213,628
	\$ 3,320,287	\$ 4,197,540
 Total Carrying Value		
Cash and cash equivalents	\$ 344,816	\$ 395,653
Short-term investments	731,680	587,087
Noncurrent investments	2,212,453	3,005,819
	\$ 3,288,949	\$ 3,988,559

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, 2016 and 2015.

**Note 4 - Capital Assets**

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2016 are as follows:

	Balance June 30, 2015	Additions	Retirements and Transfers	Balance June 30, 2016
Capital assets not being depreciated				
Land	\$ 264,619	\$ -	\$ -	\$ 264,619
Construction in progress	4,686	489	(3,387)	1,788
Total capital assets not being depreciated	\$ 269,305	\$ 489	\$ (3,387)	\$ 266,407
Capital assets being depreciated				
Land improvements	\$ 382,467	\$ -	\$ -	\$ 382,467
Building and fixed equipment	4,513,203	-	-	4,513,203
Building improvement	5,617,415	-	-	5,617,415
Major moveable equipment	4,255,662	42,312	(9,943)	4,288,031
Total capital assets being depreciated	14,768,747	\$ 42,312	\$ (9,943)	14,801,116
Less accumulated depreciation for				
Land improvements	(141,616)	\$ (22,337)	\$ -	(163,953)
Building and building improvements	(5,219,872)	(332,880)	-	(5,552,752)
Major moveable equipment	(3,567,388)	(229,464)	13,330	(3,783,522)
Total accumulated depreciation	(8,928,876)	\$ (584,681)	\$ 13,330	(9,500,227)
Net capital assets being depreciated	\$ 5,839,871			\$ 5,300,889
Capital assets, net	\$ 6,109,176			\$ 5,567,296

Perry Memorial Hospital Authority  
Notes to Financial Statements  
June 30, 2016 and 2015

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	\$ 281,238	\$ 103,870	\$ (115,803)	\$ 269,305
Depreciable capital assets				
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	14,341,936	\$ 311,008	\$ 115,803	14,768,747
Less accumulated depreciation				
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	(8,290,867)	\$ (638,009)	\$ -	(8,928,876)
Net capital assets being depreciated	\$ 6,051,069			\$ 5,839,871
Capital assets, net	\$ 6,332,307			\$ 6,109,176

**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, 2016 and 2015 for all operating leases was approximately \$197,000 and \$181,000.

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

Year Ending June 30,	Operating Leases
2017	\$ 93,300

**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, 2016 were \$166,668 which consisted of \$39,837 from the employer and \$126,831 from employees. 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. 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, 2016 and 2015:

	2016	2015
Health Care Services		
Employee scholarships	\$ 1,641	\$ 1,640

Restricted nonexpendable net position at June 30, 2016 and 2015 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:

	2016	2015
Health Care Services		
Employee scholarships	\$ 50,600	\$ 50,584

**Note 8 - Management Agreement**

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, 2016 and 2015, the Authority incurred fees to Quorum Health Resources, LLC for management services of \$528,826 and \$456,839.

**Note 9 - Related Party Transactions**

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 10 - 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, 2016 and 2015, was as follows:

	2016	2015
Medicare	35%	28%
Medicaid	5%	3%
Self pay	36%	42%
Other	24%	27%
	100%	100%

**Note 11 - 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. 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 12 - 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, 2016:

Statement of net position as of June 30, 2016

	Authority	Foundation	Total
<b>Assets</b>			
Current assets	\$ 2,055,733	\$ 253,747	\$ 2,309,480
Capital assets, net	5,567,296	-	5,567,296
Other noncurrent assets	2,157,035	116,418	2,273,453
Total assets	\$ 9,780,064	\$ 370,165	\$ 10,150,229
<b>Liabilities</b>			
Current liabilities	\$ 832,198	\$ -	832,198
<b>Net Position</b>			
Net investment in capital assets	5,567,296	-	5,567,296
Restricted, expendable for employee scholarships	-	1,641	1,641
Restricted, nonexpendable permanent endowments	-	50,600	50,600
Unrestricted	3,380,570	317,924	3,698,494
Total net position	8,947,866	370,165	9,318,031
Total liabilities and net position	\$ 9,780,064	\$ 370,165	\$ 10,150,229

Revenues, expenses and changes in net position for the year ended June 30, 2016:

	Authority	Foundation	Total
Operating Revenues			
Net patient service revenue	\$ 6,882,780	\$ -	\$ 6,882,780
Other revenue	280,645	-	280,645
Total operating revenues	7,163,425	-	7,163,425
Operating Expenses			
Depreciation	584,681	-	584,681
Other operating expenses	8,201,317	22,962	8,224,279
Total operating expenses	8,785,998	22,962	8,808,960
Operating Loss	(1,622,573)	(22,962)	(1,645,535)
Nonoperating Revenues	47,263	36,170	83,433
Revenues in Excess of (Less Than) Expenses Before Restricted Contributions	(1,575,310)	13,208	(1,562,102)
Restricted Contributions	-	16	16
Change in Net Position	(1,575,310)	13,224	(1,562,086)
Net Position, Beginning of Year	10,523,176	356,941	10,880,117
Net Position, End of Year	\$ 8,947,866	\$ 370,165	\$ 9,318,031

Perry Memorial Hospital Authority  
Notes to Financial Statements  
June 30, 2016 and 2015

Cash flows for the year ended June 30, 2016:

	<u>Authority</u>	<u>Foundation</u>	<u>Total</u>
Net Cash from (used for) Operating Activities	\$ (753,466)	\$ 13,208	\$ (740,258)
Net Cash from Noncapital Financing Activities	52,067	-	52,067
Net Cash used for Capital and Capital Related Financing Activities	(42,801)	-	(42,801)
Net Cash from (used for) Investing Activities	682,697	(2,542)	680,155
Net Change in Cash and Cash Equivalents	(61,503)	10,666	(50,837)
Cash and Cash Equivalents, Beginning of Year	372,163	23,490	395,653
Cash and Cash Equivalents, End of Year	<u>\$ 310,660</u>	<u>\$ 34,156</u>	<u>\$ 344,816</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, 2015:

Statement of net position as of June 30, 2015:

	<u>Authority</u>	<u>Foundation</u>	<u>Total</u>
<b>Assets</b>			
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	<u>\$ 11,535,994</u>	<u>\$ 356,941</u>	<u>\$ 11,892,935</u>
<b>Liabilities</b>			
Current liabilities	<u>\$ 1,012,818</u>	<u>\$ -</u>	<u>1,012,818</u>
<b>Net Position</b>			
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	<u>10,523,176</u>	<u>356,941</u>	<u>10,880,117</u>
Total liabilities and net position	<u>\$ 11,535,994</u>	<u>\$ 356,941</u>	<u>\$ 11,892,935</u>

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
Total operating revenues	<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
Total operating expenses	<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>
Revenues in Excess of (Less Than) Expenses 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>

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>



Supplementary Information  
June 30, 2016 and 2015

# Perry Memorial Hospital Authority

## **Independent Auditor's Report on Supplementary Information**

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, 2016 and 2015, and our report thereon dated October 31, 2016 which expressed an unmodified opinion on those financial statements, appears on pages 1 through 2. Our audit was 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 operating revenue, and operating 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 audit 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
October 31, 2016

Perry Memorial Hospital Authority  
Schedules of Net Patient Service Revenue  
Years Ended June 30, 2016 and 2015

	2016	2015
Daily Patient Services		
Medical and surgical	\$ 611,335	\$ 845,359
Swing bed	553,145	659,650
	1,164,480	1,505,009
Other Nursing Services		
Central service supplies	526,125	450,034
Emergency services	3,026,340	3,277,331
Home health	461,898	555,977
Operating and recovery rooms	357,953	423,280
	4,372,316	4,706,622
Other Professional Services		
Industrial service	15,887	40,135
Inhalation therapy	632,998	658,048
Laboratory	3,480,296	3,601,166
Pharmacy	974,920	1,118,058
Physical therapy	1,100,454	1,016,716
Physician practice	1,111,965	1,034,444
Radiology	5,152,517	4,743,427
	12,469,037	12,211,994
Charity Care	(84,697)	(63,800)
Total patient service revenue	17,921,136	18,359,825
Reductions from Revenue		
Contractual adjustments	(10,038,335)	(10,673,431)
Provision for bad debts	(1,000,021)	(836,041)
Total reductions from revenue	(11,038,356)	(11,509,472)
Net Patient Service Revenue	\$ 6,882,780	\$ 6,850,353

Perry Memorial Hospital Authority  
Schedules of Other Operating Revenue  
Years Ended June 30, 2016 and 2015

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	2016	2015
Other Revenue		
Cafeteria	\$ 81	\$ 11,910
Government incentive for electronic health records	77,609	480,965
Supplemental Hospital Offset Payment Program Act	81,770	116,833
Rental income - Hospital annex	-	13,600
Rental income - Medical office building	56,954	51,527
Rental income - Specialty clinic	24,376	15,815
Miscellaneous	39,855	27,265
Total Other Revenue	\$ 280,645	\$ 717,915

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2016

	Perry Memorial Hospital Foundation			Total
	Other	Salaries	Other	
<b>Nursing Services</b>				
Medical and surgical	\$ -	\$ 743,885	\$ 81,976	\$ 825,861
Central services and supply	-	61,761	83,950	145,711
Emergency services	-	278,417	785,874	1,064,291
Home health	-	171,116	35,136	206,252
Operating and recovery rooms	-	64,466	60,792	125,258
	<u>\$ -</u>	<u>\$ 1,319,645</u>	<u>\$ 1,047,728</u>	<u>\$ 2,367,373</u>
<b>Other Professional Services</b>				
Industrial services	\$ -	\$ -	\$ 1,208	\$ 1,208
Inhalation therapy	-	35,980	28,486	64,466
Laboratory	-	315,508	403,221	718,729
Pharmacy	-	34,453	180,513	214,966
Physical therapy	-	202,742	5,314	208,056
Physician practice	-	508,374	266,583	774,957
Radiology	-	221,429	287,398	508,827
Specialty clinic	-	25,852	2,706	28,558
	<u>\$ -</u>	<u>\$ 1,344,338</u>	<u>\$ 1,175,429</u>	<u>\$ 2,519,767</u>
<b>General Services</b>				
Dietary	\$ -	\$ 110	\$ 202,965	\$ 203,075
Housekeeping	-	-	163,528	163,528
Laundry and linen	-	-	61,376	61,376
Medical records	-	202,181	86,735	288,916
Plant operations	-	72,506	187,191	259,697
	<u>\$ -</u>	<u>\$ 274,797</u>	<u>\$ 701,795</u>	<u>\$ 976,592</u>
<b>Administrative Services</b>				
Administrative and office	\$ 22,962	\$ 753,750	\$ 695,095	\$ 1,471,807
Employee benefits	-	-	701,872	701,872
Insurance	-	-	154,097	154,097
	<u>\$ 22,962</u>	<u>\$ 753,750</u>	<u>\$ 1,551,064</u>	<u>\$ 2,327,776</u>
<b>Medical Office Building</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,771</u>	<u>\$ 32,771</u>
<b>Depreciation</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,681</u>	<u>\$ 584,681</u>

Perry Memorial Hospital Authority  
Schedules of Operating Expenses  
Years Ended June 30, 2016 and 2015

2015

Perry Memorial Hospital Foundation	Perry Memorial Hospital Authority		
Other	Salaries	Other	Total
\$ -	\$ 803,189	\$ 75,377	\$ 878,566
-	65,786	87,506	153,292
-	286,746	835,722	1,122,468
-	195,133	26,978	222,111
-	73,901	62,795	136,696
<u>\$ -</u>	<u>\$ 1,424,755</u>	<u>\$ 1,088,378</u>	<u>\$ 2,513,133</u>
\$ -	239	3,514	3,753
-	39,065	25,698	64,763
-	329,543	352,867	682,410
-	32,686	184,717	217,403
-	200,959	7,753	208,712
-	605,681	259,918	865,599
-	256,499	273,313	529,812
-	21,404	2,529	23,933
<u>\$ -</u>	<u>\$ 1,486,076</u>	<u>\$ 1,110,309</u>	<u>\$ 2,596,385</u>
\$ -	63,425	84,593	148,018
-	76,042	37,169	113,211
-	-	51,681	51,681
-	197,469	75,448	272,917
-	71,755	198,866	270,621
<u>\$ -</u>	<u>\$ 408,691</u>	<u>\$ 447,757</u>	<u>\$ 856,448</u>
\$ 8,932	745,593	679,684	1,434,209
-	-	802,857	802,857
-	-	122,722	122,722
<u>\$ 8,932</u>	<u>\$ 745,593</u>	<u>\$ 1,605,263</u>	<u>\$ 2,359,788</u>
<u>\$ -</u>	<u>\$ 12,134</u>	<u>\$ 15,632</u>	<u>\$ 27,766</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,009</u>	<u>\$ 638,009</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 and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 31, 2016.

**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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Oklahoma City, Oklahoma  
October 31, 2016