



Financial Statements
June 30, 2017 and 2016

The Beaver County Hospital Authority

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Independent Auditor's Report

Board of Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of The Beaver County Hospital Authority (Authority), which comprise the statement of net position as of June 30, 2017, and the related statement of revenues, expenses and changes in net position and statement of cash flows for the year 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 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Beaver County Hospital Authority as of June 30, 2017, and results of operations, changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of The Beaver County Hospital Authority as of June 30, 2016, were audited by other auditors, whose report dated February 28, 2017, expressed an unmodified opinion on those statements.

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 and the required supplementary information on pages 33 through 34 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 February 19, 2018 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
February 19, 2018

Introduction

Our discussion and analysis for The Beaver County Hospital Authority (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2017, 2016 and 2015. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Current assets decreased in 2017 by \$305,545 or 6% and increased in 2016 by \$385,954 or 9%.
- Deferred outflows of resources increased in 2017 by \$487,450 or 136% and decreased in 2016 by \$89,854 or 20%.
- Current liabilities decreased in 2017 by \$295,084 or 26% and increased in 2016 by \$272,614 or 31%.
- Net OPEB obligation increased in 2017 by \$482,219 or 114% and increased in 2016 by \$152,572 or 57%.
- The Authority's net position decreased in 2017 by \$91,074 or 2% and increased in 2016 by \$230,739 or 5%.
- The Authority reported an operating loss in 2017 of \$990,848, an operating loss in 2016 of \$643,274, and an operating loss in 2015 of \$1,414,019. During 2017, the operating loss increased by \$347,574 or 54% and the operating loss decreased by \$770,745 or 55% during 2016.
- Salaries, wages, and employee benefits increased by \$364,729 in 2017, and increased by \$265,505 in 2016.

Using This Annual Report

The Authority's financial statements consist of three statements – Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. These financial statements and related notes provide information about activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. 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 \$91,074 or 2% in 2017 and increased by \$230,739 or 5% in 2016 as shown in Table 1.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$ 4,502,093	\$ 4,807,638	\$ 4,421,684
Capital assets, net of accumulated depreciation	<u>1,129,698</u>	<u>1,447,403</u>	<u>1,701,112</u>
Total assets	5,631,791	6,255,041	6,122,796
Deferred Outflows of Resources	<u>846,506</u>	<u>359,056</u>	<u>448,910</u>
Total assets and deferred outflows of resources	<u>\$ 6,478,297</u>	<u>\$ 6,614,097</u>	<u>\$ 6,571,706</u>
Liabilities			
Current liabilities	\$ 858,864	\$ 1,153,948	\$ 881,334
Long-term debt, less current maturities	-	16,988	49,236
Net OPEB obligation	<u>903,791</u>	<u>421,572</u>	<u>269,000</u>
Total liabilities	<u>1,762,655</u>	<u>1,592,508</u>	<u>1,199,570</u>
Deferred Inflows of Resources	<u>191,888</u>	<u>406,761</u>	<u>988,047</u>
Net Position			
Net investment in capital assets	1,112,709	1,397,324	1,609,480
Restricted:			
Expendable for capital acquisitions	3,471	3,451	3,436
Expendable for specific operating activities	747,284	634,800	554,449
Unrestricted	<u>2,660,290</u>	<u>2,579,253</u>	<u>2,216,724</u>
Total net position	<u>4,523,754</u>	<u>4,614,828</u>	<u>4,384,089</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,478,297</u>	<u>\$ 6,614,097</u>	<u>\$ 6,571,706</u>

A significant component of the change in the Authority's assets, liabilities, and net position is the change in current assets and other noncurrent assets. Current assets decreased \$305,545 or 6% in 2017 and increased \$385,954 or 9% in 2016. Cash and cash equivalents decreased \$202,233 or 7% in 2017 due to a decrease in receipts from operating activities and increased \$302,531 or 11% in 2016 due to a decrease in cash used from capital financing activities. Capital assets decreased \$317,705 or 22% in 2017 and \$253,709 or 15% in 2016 due to depreciation expense being greater than purchases. Current liabilities decreased \$295,084 or 26% in 2017 and increased \$272,614 or 31% in 2016. In 2017, the Authority has a receivable of \$12,118 from the Medicare program for estimated third-party settlements. In 2016, the Authority owed the Medicare program \$185,000 for estimated third-party settlements. In 2015, the Authority owed the Medicare program \$2,000.

Table 2: Operating Results and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues			
Net patient service revenue	\$ 6,051,131	\$ 5,823,695	\$ 4,905,034
Community pharmacy revenue	1,827,448	2,140,999	2,041,572
Other operating revenue	<u>219,735</u>	<u>144,154</u>	<u>61,634</u>
Total operating revenue	<u>8,098,314</u>	<u>8,108,848</u>	<u>7,008,240</u>
Operating Expenses			
Salaries, wages, and employee benefits	4,730,918	4,366,189	4,100,684
Purchased services and professional fees	804,355	781,069	758,713
Supplies and other	3,204,524	3,226,514	3,186,985
Depreciation	<u>349,365</u>	<u>378,350</u>	<u>375,877</u>
Total operating expenses	<u>9,089,162</u>	<u>8,752,122</u>	<u>8,422,259</u>
Operating Loss	<u>(990,848)</u>	<u>(643,274)</u>	<u>(1,414,019)</u>
Nonoperating Revenues (Expenses)			
County appropriations - unrestricted	411,248	451,053	930,760
County appropriations - restricted	355,025	313,763	320,318
Investment income	18,431	13,578	15,566
Noncapital grants and contributions	116,309	97,990	47,739
Interest expense	<u>(1,239)</u>	<u>(2,371)</u>	<u>(4,501)</u>
Nonoperating revenues, net	<u>899,774</u>	<u>874,013</u>	<u>1,309,882</u>
Revenues in Excess of (Less Than) Expenses Before Capital Contributions	(91,074)	230,739	(104,137)
Capital Contributions	<u>-</u>	<u>-</u>	<u>71,066</u>
Change in Net Position	<u>\$ (91,074)</u>	<u>\$ 230,739</u>	<u>\$ (33,071)</u>

Operating Results

The first component of the overall change in the Authority's net position is its operating results. Generally, the operating income or loss is the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Authority had operating losses in 2017, 2016, and 2015.

The operating loss for 2017 increased by \$347,574 or 54% as compared to the decrease of \$770,745 or 55% in 2016. The primary components of the increase in operating loss are:

- An increase in patient and resident revenue, net of uncollectible accounts, of \$227,436 or 4% in 2017 and \$918,661 or 19% in 2016. The increase is due to higher patient volumes.
- A decrease in community pharmacy revenue of \$313,551 or 15% in 2017 and an increase of \$99,427 of 5% in 2016. The change in community pharmacy revenue is due to a decrease in prescriptions.
- An increase in salaries, wages and employee benefits of \$364,729 or 8% in 2017 and \$265,505 of 6% in 2016. The increase is due to an increase in employee benefits driven by an adjustment to pension expense

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of county appropriations and noncapital grants and contributions. The county appropriations increased by \$1,457 or 0.2% in 2017 and decreased \$486,262 or 39% in 2016. Noncapital grants and contributions increased by \$18,319 or 19% in 2017 and \$50,251 or 105% in 2016.

The Authority's Cash Flows

The Authority's overall liquidity decreased during the year with a net decrease to cash and cash equivalents, of \$202,233 or 7% when compared with 2016. Cash flows used for operating activities increased by \$514,376 during 2017 when compared with 2016. This was due primarily to the decrease in payments from electronic health records incentive. Cash from non-capital financing activities decreased by \$97,825 compared with 2016. Cash used for capital and capital related financing activities increased by \$102,576 when compared with 2016. Cash from investing activities increased by \$4,861 in 2017 compared to \$91,571 in 2016.

Capital Assets

The Authority had \$1,129,698 invested in capital assets at the end of 2017 and \$1,447,403 at the end of 2016, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets totaling \$31,660 in 2017 and \$124,641 in 2016.

Note Payable and Capital Leases

The Authority had \$16,989 in a note payable and capital leases at the end of 2017 and \$50,079 at the end of 2016, as detailed in Note 6 to the financial statements. The Authority made principal payments of \$33,090 in 2017 and \$41,553 in 2016.

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 580-317-9500.

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	<u>2017</u>	<u>2016</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 2,005,100	\$ 2,319,837
Restricted cash and cash equivalents	750,755	638,251
Short-term certificates of deposit	249,508	249,508
Receivables		
Patient and resident, net of estimated uncollectibles of \$292,000 in 2017 and \$430,000 in 2016	781,941	916,617
County appropriations receivable	100,143	108,140
Estimated third-party payor settlements	12,299	-
Supplies	467,689	481,411
Prepaid expenses and other	134,658	93,874
	<u>4,502,093</u>	<u>4,807,638</u>
Capital Assets		
Capital assets not being depreciated	52,731	52,731
Capital assets being depreciated	1,076,967	1,394,672
	<u>1,129,698</u>	<u>1,447,403</u>
	5,631,791	6,255,041
Deferred Outflows of Resources	<u>846,506</u>	<u>359,056</u>
	<u>\$ 6,478,297</u>	<u>\$ 6,614,097</u>

See Notes to Financial Statements

The Beaver County Hospital Authority
 Statements of Net Position
 June 30, 2017 and 2016

	2017	2016
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 16,989	\$ 33,091
Accounts payable	410,304	396,740
Accrued expenses	431,571	539,117
Estimated third-party payor settlements	-	185,000
Total current liabilities	858,864	1,153,948
Long-Term Debt, Less Current Maturities	-	16,988
Net OPEB Obligation	903,791	421,572
Total liabilities	1,762,655	1,592,508
Deferred Inflows of Resources	191,888	406,761
Net Position		
Net investment in capital assets	1,112,709	1,397,324
Restricted:		
Expendable for capital acquisition	3,471	3,451
Expendable for specific operating activities	747,284	634,800
Unrestricted	2,660,290	2,579,253
Total net position	4,523,754	4,614,828
Total liabilities, deferred inflows of resources, and net position	\$ 6,478,297	\$ 6,614,097

The Beaver County Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$10,403 in 2017 and \$116,070 in 2016	\$ 6,051,131	\$ 5,823,695
Community pharmacy revenue	1,827,448	2,140,999
Other revenue	219,735	144,154
Total operating revenues	8,098,314	8,108,848
Operating Expenses		
Salaries and wages	3,834,666	3,651,722
Employee benefits	896,252	714,467
Professional fees and purchased services	804,355	781,069
Supplies and other	3,204,524	3,226,514
Depreciation	349,365	378,350
Total operating expenses	9,089,162	8,752,122
Operating Loss	(990,848)	(643,274)
Nonoperating Revenues (Expenses)		
County appropriations - unrestricted	411,248	451,053
County appropriations - restricted	355,025	313,763
Investment income	18,431	13,578
Noncapital grants and contributions	116,309	97,990
Interest expense	(1,239)	(2,371)
Net nonoperating revenues	899,774	874,013
Change in Net Position	(91,074)	230,739
Net Position, Beginning of Year	4,614,828	4,384,089
Net Position, End of Year	\$ 4,523,754	\$ 4,614,828

The Beaver County Hospital Authority
 Statements of Cash Flows
 Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 7,815,956	\$ 8,019,151
Payments to suppliers and contractors	(4,022,377)	(4,004,098)
Payments to and on behalf employees	(5,058,568)	(4,690,085)
Other receipts and payments, net	219,735	144,154
	(1,045,254)	(530,878)
Noncapital Financing Activities		
Noncapital contributions and grants	116,309	97,990
Proceeds from county appropriations	774,270	890,414
	890,579	988,404
Capital and Capital Related Financing Activities		
Principal payments on long-term debt	(33,090)	(41,553)
Interest paid	(1,239)	(2,371)
Purchase of capital assets	(31,660)	(124,641)
	(65,989)	(168,565)
Investing Activities		
Investment income	18,431	13,570
	(202,233)	302,531
Net Change in Cash and Cash Equivalents		
	2,958,088	2,655,557
Cash and Cash Equivalents, Beginning of Year		
	\$ 2,755,855	\$ 2,958,088
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 2,005,100	\$ 2,319,837
Restricted cash and cash equivalents	750,755	638,251
	\$ 2,755,855	\$ 2,958,088
Total cash		

The Beaver County Hospital Authority
 Statements of Cash Flows
 Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (990,848)	\$ (643,274)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation on capital assets	349,365	378,350
Provision for bad debts	10,403	116,070
Changes in assets and liabilities		
Patient and resident receivables	124,273	(244,613)
Supplies	13,722	(26,978)
Prepaid expenses	(40,784)	(53,492)
Accounts payable	13,564	83,955
Accrued expenses	(107,546)	14,964
Estimated third-party payor settlements	(197,299)	183,000
Net OPEB obligation	(220,104)	(338,860)
	\$ (1,045,254)	\$ (530,878)

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under a trust indenture dated June 1989, as a public trust under the provisions of Title 60 of the Oklahoma State Statutes for the benefit of the Town of Beaver, Beaver County, Oklahoma.

The Authority, located in Beaver, Oklahoma is a 24-bed general, short-term, Medicare-certified facility. The Beaver County Nursing Home is a 62-bed residential living facility located in Beaver, Oklahoma. There are two rural health clinics located in Beaver and Turpin, Oklahoma and the Community Pharmacy located in the hospital.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions, and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that the exclusion would cause the Authority's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority.

Blended Component Unit

Beaver County Emergency Medical Services (EMS) was organized as a public trust to provide emergency medical services and transportation services to the residents of the County. On July 8, 1991, the Authority and EMS entered into a contract whereby EMS authorized the Authority to operate and maintain the emergency medical services for the County. The EMS has been included as blended component unit because the Authority is financially accountable for the EMS. In exchange for allowing the Authority to charge and collect fees for services provided, EMS agreed to reimburse the Authority for any and all expenses incurred that are not recovered through fees charged for emergency medical services. Separate financial statements for EMS are not publicly available.

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

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

Net investment in capital assets consists of 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. The Authority had no restricted, nonexpendable net position at June 30, 2017 and 2016.

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 reporting 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, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Authority considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Short-Term Investments

Short-term investments includes certificates of deposit with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patients and residents and third-party payor obligations. Patient and resident 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 and resident 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 and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and residents and third-party payors. Management reviews patient and resident 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 and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

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

Investment Income

Interest on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Property and equipment acquisitions in excess of \$5,000 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. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	5-40 years
Buildings and improvements	5-40 years
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 revenues in excess of expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, other differences between expected and actual experience, and contributions from the employer after the measurement date but before the end of the Authority's reporting period. The Authority's deferred outflows of resources are recognized as a component of compensation expense in the following year related to employer contributions, compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the plan. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences

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

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

The Authority participates in a cost-sharing multiple-employer defined benefit pension plan, the Oklahoma Public Employees Retirement System (OPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience, all associated with the Authority's participation in the OPERS plan. The Authority's deferred inflows of resources related to pensions are recognized as a component of compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the plan.

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 of the Authority 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 reported as nonoperating.

Net Patient and Resident 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 and resident service revenue is reported at the estimated net realizable amounts from patients, residents, 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.

Grants and Contributions

The Authority may receive 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 revenues in excess of (less than) expenses.

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 \$17,000 and \$10,000 for the years ended June 30, 2017 and 2016. Total direct and indirect costs related to these foregone charges were approximately \$20,000 and \$11,000 at June 30, 2017 and 2016, based on an average ratio of cost to gross charges.

County Appropriations

The citizens of the County approved a 1% sales tax with an expiration date of April 1, 2024, to provide unrestricted appropriations to the Authority. The County collects the sales tax and remits it monthly to the Authority. Revenue from county appropriations is recognized in the year in which the sales tax is received. The Authority received approximately 5% and 5% of its financial support from county appropriations related to sales taxes during the years ended June 30, 2017 and 2016.

Effective February 10, 2009, the citizens of the County approved an ad valorem tax for two mills on the assessed valuation of taxable property situated in the County for the purpose of continued funding and maintenance of EMS. Property taxes are assessed in October of each year and half of the assessed taxes are due December 31 with the other half due March 31 of the following year. These taxes become delinquent after January 1 and April 1, respectively. Revenue from ad valorem tax is recognized in the year for which the ad valorem tax is levied. The Authority received approximately 4% and 4% of its financial support from ad valorem tax revenue during both of the years ended 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 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 records receipts to net patient service revenue. The Authority received \$53,000 and \$53,000 during the years ended June 30, 2017 and 2016.

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

Reclassifications

Reclassifications have been made to the June 30, 2016 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

Note 2 - Net Patient and Resident 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: The Authority is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). Inpatient skilled care rendered to Medicare program beneficiaries are paid at prospectively determined rates. The Hospital's Medicare cost reports have been audited by the MAC through the year ended June 30, 2015.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per discharge or established fee schedules.

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 and resident service revenues for the years ended June 30, 2017 and 2016:

	2017	2016
Medicare	61%	58%
Medicaid	7%	6%
Other third-party payors	28%	31%
Self pay and other	4%	5%
	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 for the year ended June 30, 2016 increased approximately \$245,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Note 3 - Deposits and Investment Income

The carrying amounts of deposits and investments as of June 30, 2017 and 2016 are as follows:

	2017	2016
Carrying Amount		
Cash and deposits	\$ 2,755,855	\$ 2,958,088
Short-term certificates of deposit	249,508	249,508
Total	\$ 3,005,363	\$ 3,207,596

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

	2017	2016
Cash	\$ 2,005,100	\$ 2,319,837
Restricted cash	750,755	638,251
Short-term certificats of deposit	249,508	249,508
	\$ 3,005,363	\$ 3,207,596

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Authority’s deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. Statutes also require that the market value of the collateral be at least 100% of the excess deposits. The Authority’s deposit policy does not further restrict bank deposits or limit investment deposits.

The Authority’s deposits in banks at June 30, 2017 and 2016 were entirely covered by federal depository insurance or by collateral held by the Authority’s custodial bank in the Authority’s name.

Note 4 - Capital Assets

Capital assets additions, retirements, transfers and balances for the years ended June 30, 2017 are as follows:

	Balance June 30, 2016	Additions	Transfers and Retirements	Balance June 30, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated				
Land	\$ 52,731	\$ -	\$ -	\$ 52,731
Capital assets being depreciated				
Land improvements	\$ 16,380	\$ -	\$ -	\$ 16,380
Building and improvements	2,631,571	26,128	-	2,657,699
Equipment	<u>3,010,301</u>	<u>5,532</u>	<u>-</u>	<u>3,015,833</u>
Total capital assets being depreciated	<u>5,658,252</u>	<u>\$ 31,660</u>	<u>\$ -</u>	<u>5,689,912</u>
Less accumulated depreciation for				
Land improvements	(8,812)	\$ (835)	\$ -	(9,647)
Building and improvements	(2,100,536)	(18,657)	-	(2,119,193)
Equipment	<u>(2,154,232)</u>	<u>(329,873)</u>	<u>-</u>	<u>(2,484,105)</u>
Total accumulated depreciation	<u>(4,263,580)</u>	<u>\$ (349,365)</u>	<u>\$ -</u>	<u>(4,612,945)</u>
Net capital assets being depreciated	<u>\$ 1,394,672</u>			<u>\$ 1,076,967</u>
Capital assets, net	<u>\$ 1,447,403</u>			<u>\$ 1,129,698</u>

The Beaver County Hospital Authority
Notes to Financial Statements
June 30, 2017 and 2016

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

	Balance June 30, 2015	Additions	Transfers and Retirements	Balance June 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated				
Land	\$ 52,731	\$ -	\$ -	\$ 52,731
Capital assets being depreciated				
Land improvements	\$ 16,380	\$ -	\$ -	\$ 16,380
Building and improvements	2,620,688	10,883	-	2,631,571
Equipment	<u>2,896,543</u>	<u>113,758</u>	<u>-</u>	<u>3,010,301</u>
Total capital assets being depreciated	<u>5,533,611</u>	<u>\$ 124,641</u>	<u>\$ -</u>	<u>5,658,252</u>
Less accumulated depreciation for				
Land improvements	(7,977)	\$ (835)	\$ -	(8,812)
Building and improvements	(2,305,183)	(49,513)	254,160	(2,100,536)
Equipment	<u>(1,572,070)</u>	<u>(328,002)</u>	<u>(254,160)</u>	<u>(2,154,232)</u>
Total accumulated depreciation	<u>(3,885,230)</u>	<u>\$ (378,350)</u>	<u>\$ -</u>	<u>(4,263,580)</u>
Net capital assets being depreciated	<u>\$ 1,648,381</u>			<u>\$ 1,394,672</u>
Capital assets, net	<u>\$ 1,701,112</u>			<u>\$ 1,447,403</u>

Note 5 - Lease Obligations

The Authority leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense for the years ended June 30, 2017 and 2016 for all operating leases was approximately \$9,000 and \$9,000. The capitalized leased assets consist of:

	<u>2017</u>	<u>2016</u>
Major movable equipment	\$ 201,140	\$ 201,140
Less accumulated amortization	<u>(124,515)</u>	<u>(95,781)</u>
	<u>\$ 76,625</u>	<u>\$ 105,359</u>

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

<u>Years Ending December 31,</u>	<u>Capital Leases</u>
2018	\$ 17,165
Total minimum lease payments	17,165
Less interest	<u>(176)</u>
Present value of minimum lease payments - Note 6	<u>\$ 16,989</u>

Note 6 - Long-Term Debt

A schedule of changes in the Authority's long-term debt for 2017 and 2016 is as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Capital Lease (1)	\$ 50,079	\$ -	\$ (33,090)	\$ 16,989	\$ 16,989
Total long-term debt	<u>\$ 50,079</u>	<u>\$ -</u>	<u>\$ (33,090)</u>	<u>\$ 16,989</u>	<u>\$ 16,989</u>
	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Note Payable (2)	\$ 10,455	\$ -	\$ (10,455)	\$ -	\$ -
Capital Lease (1)	81,177	-	(31,098)	50,079	33,091
Total long-term debt	<u>\$ 91,632</u>	<u>\$ -</u>	<u>\$ (41,553)</u>	<u>\$ 50,079</u>	<u>\$ 33,091</u>

- (1) Capital lease with an interest rate of 3.54%, collateralized by associated equipment, with a maturity date of February 2018.
- (2) Note payable due January 2016, with principal and interest payable monthly at 3.02%. The note was secured by certain equipment and was paid in full during 2016.

The Authority has a \$450,000 revolving line of credit which expires in July 2018. No amounts were drawn on this line of credit.

Note 7 - Other Postemployment Benefits (OPEB)

Plan Description

The Authority contributes to OPERS, a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. OPERS is administered by a board of trustees appointed by state statute. Benefit provisions are contained in the plan document and were established and can be amended by action of OPERS' governing body.

Benefits Provided

In general, OPERS provides retirement, disability and death benefits to plan members and their beneficiaries based on members' final average compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. OPERS' benefits are established and amended by state statute. Retirement provisions are as follows:

Hired Prior to November 1, 2011 – Normal retirement is attained upon completing one of the following: Age of 62 with six years of credited service; 80 points or the sum of age and years of service if the employee was hired before July 1, 1992; 90 points or the sum of age and years of service if the employee was hired after July 1, 1992. Retirement benefits for employees are calculated as the average compensation during the highest three years of the last 10 years of service.

Hired After November 1, 2011 – Normal retirement is attained upon completing one of the following: Age of 65 with six years of credited service or 90 points or the sum of age and years of service with a minimum age of 60. Retirement benefits for employees are calculated as the average compensation during the highest five years of the last 10 years of service. Retirement benefits for employees are calculated as 2% of the employee's final average salary multiplied by the employee's credited years of service.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Disability retirement benefits are determined in the same manner as retirement benefits and require a minimum of eight years of service and that the member qualifies for disability under the Social Security Administration or Railroad Retirement Board.

Contributions

The authority to set and amend contribution rates is established by ordinance for OPERS' defined benefit plan in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 908. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. Contributions for participating county and local agencies are required by statute to total 20% for employees and employers as of June 30, 2017. For the year ended June 30, 2016, the Authority contributed 11.5% and employees contributed 8.5% of eligible compensation. For the years ended June 30, 2016 and 2015, contributions to the pension plan from the Authority were \$379,350 and \$352,497. For the years ended June 30, 2017 and 2016, contributions to the pension plan from employees were approximately \$284,000 and \$262,000.

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

At June 30, 2017 and 2016, the Authority reported a liability of \$903,790 and \$421,572, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2017 and 2016, was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the pension plan during the measurement period relative to the actual contributions of all participating employers. At June 30, 2017 and 2016, the Authority's proportion was 0.0910867% and 0.11720625%.

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of \$159,245 and \$13,637. At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 39,716	\$ -	\$ 46,874
Change in proportion	-	152,172	-	168,660
Change in assumptions	144,489	-	6,559	-
Net difference between projected and actual earnings on pension plan investments	378,170	-	-	191,227
Contributions made since measurement date	323,846	-	352,497	-
Total	<u>\$ 846,505</u>	<u>\$ 191,888</u>	<u>\$ 359,056</u>	<u>\$ 406,761</u>

At June 30, 2017 and 2016, the Authority reported \$379,350 and \$352,497, as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2018 and 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017, will be recognized in pension expense as follows:

	Amount
2018	\$ (21,554)
2019	55,509
2020	183,140
2021	113,676
	<u>\$ 330,771</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	2016	2015
Inflation	3.00%	3.00%
Salary increase	4.5% - 8.4%	4.5% - 8.4%
Investment rate of return	7.25%	7.50%
Actuarial cost method	Entry age normal	Entry age normal

Mortality rates were based on the RP-2000 Healthy Combined Active/Retiree Mortality Index projected to 2010, as appropriate with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2016 and 2015, valuation were based on the results of an actuarial experience study dated May 9, 2014, for the three-year period from July 1, 2010 to June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
U.S. large cap equity	38.0%	5.3%
U.S. small cap equity	6.0%	5.6%
International stock	25.0%	0.7%
Emerging market stock	18.0%	5.6%
U.S. fixed income	6.0%	6.4%
Treasury inflated protected securities	3.5%	0.7%
Rate anticipation	3.5%	1.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.5% for the years ended June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2017		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability (asset)	<u>\$ 1,850,101</u>	<u>\$ 903,790</u>	<u>\$ 100,453</u>
	2016		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (asset)	<u>\$ 1,570,885</u>	<u>\$ 421,572</u>	<u>\$ (555,527)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Payable to the Pension Plan

At June 30, 2017 and 2016, the Authority reported a payable of approximately \$56,000 and \$53,000 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2017 and 2016.

Note 8 - Restricted and Designated Net Positions

At June 30, 2017 and 2016, \$747,284 and \$634,800, of restricted expendable net position was available for the purpose of providing emergency medical services to the residents of the County. In addition, at June 30, 2017 and 2016, \$3,471 and \$3,451, was available for the purpose of capital acquisitions of the Nursing Home.

Note 9 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients and residents at June 30, 2017 and 2016 was as follows:

	2017	2016
Medicare	38%	39%
Medicaid	15%	14%
Commercial insurance	23%	19%
Other third-party payors and patients	24%	28%
	100%	100%

Note 10 - Contingencies

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; 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 million per claim and an annual aggregate limit of \$3 million. 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.

Litigation, 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 activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

Workers' Compensation Claims

The Authority was self-funded for costs associated with workers' compensation claims and purchased commercial insurance coverage for claims in excess of certain retention limits during the year ended June 30, 2016. The Authority, in connection with this plan, recognized claim expenses on an accrual basis. An accrued liability was recorded at year-end which estimates the incurred but not reported claims that will be paid by the Authority. The Authority had a stop loss insurance to cover catastrophic claims in excess of \$400,000 per claim and an annual aggregate limit of \$1,000,000. On July 1, 2016, the Authority became fully insured for workers' compensation claims up to \$1 million per claim and aggregate limit of \$1 million.

The Authority expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued expenses in the financial statements. These amounts have been estimated based on historical trends and actuarial analysis. Changes in the balance of claims liabilities during the past two years are as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2017	\$ 64,000	\$ -	\$ (35,000)	\$ 29,000
2016	50,000	44,299	(30,299)	64,000

Note 11 - Condensed Combining Information

The following summarizes combining information for the Authority and EMS, which has been presented as a blended component unit, as of and for the year ended June 30, 2017.

Statement of net position as of June 30, 2017:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and deferred outflows of resources				
Assets				
Current assets	\$ 4,502,093	\$ 747,284	\$ (747,284)	\$ 4,502,093
Capital assets, net	1,062,496	67,202	-	1,129,698
Total assets	<u>5,564,589</u>	<u>814,486</u>	<u>(747,284)</u>	<u>5,631,791</u>
Deferred outflows of resources	<u>846,506</u>	-	-	<u>846,506</u>
Total assets and deferred outflows of resources	<u>\$ 6,411,095</u>	<u>\$ 814,486</u>	<u>\$ (747,284)</u>	<u>\$ 6,478,297</u>
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Current liabilities	\$ 1,606,148	\$ -	\$ (747,284)	\$ 858,864
Net OPEB obligation	903,791	-	-	903,791
Total liabilities	<u>2,509,939</u>	<u>-</u>	<u>(747,284)</u>	<u>1,762,655</u>
Deferred inflows of resources	<u>191,888</u>	-	-	<u>191,888</u>
Net position				
Net investment in capital assets	1,045,507	67,202	-	1,112,709
Restricted - expendable for				
Capital acquisitions	3,471	-	-	3,471
Specific operating activities	-	747,284	-	747,284
Unrestricted	<u>2,660,290</u>	<u>-</u>	<u>-</u>	<u>2,660,290</u>
Total net position	<u>3,709,268</u>	<u>814,486</u>	<u>-</u>	<u>4,523,754</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,411,095</u>	<u>\$ 814,486</u>	<u>\$ (747,284)</u>	<u>\$ 6,478,297</u>

The Beaver County Hospital Authority
Notes to Financial Statements
June 30, 2017 and 2016

Operating results and changes in net position for the year ended June 30, 2017:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Operating revenues				
Net patient and resident service revenue	\$ 6,051,131	\$ -	\$ -	\$ 6,051,131
Community pharmacy revenue	1,827,448	-	-	1,827,448
Other operating revenue	409,391	-	(189,656)	219,735
Total operating revenues	<u>8,287,970</u>	<u>-</u>	<u>(189,656)</u>	<u>8,098,314</u>
Operating expenses				
Depreciation	323,809	25,556	-	349,365
Other operating expenses	8,739,797	189,656	(189,656)	8,739,797
Total operating expenses	<u>9,063,606</u>	<u>215,212</u>	<u>(189,656)</u>	<u>9,089,162</u>
Operating loss	<u>(775,636)</u>	<u>(215,212)</u>	<u>-</u>	<u>(990,848)</u>
Nonoperating revenues	<u>597,634</u>	<u>302,140</u>	<u>-</u>	<u>899,774</u>
Change in net position	(178,002)	86,928	-	(91,074)
Net position, beginning of year	<u>3,887,270</u>	<u>727,558</u>	<u>-</u>	<u>4,614,828</u>
Net position, end of year	<u>\$ 3,709,268</u>	<u>\$ 814,486</u>	<u>\$ -</u>	<u>\$ 4,523,754</u>

Cash flows for the year ended June 30, 2017:

	<u>Beaver County Hospital Authority</u>	<u>Beaver County Emergency Medical Services</u>	<u>Eliminations</u>	<u>Combined Total</u>
Net cash used in operating activities	\$ (743,114)	\$ (302,140)	\$ -	\$(1,045,254)
Net cash from noncapital financing activities	588,439	302,140	-	890,579
Net cash used in capital and capital related financing activities	(65,989)	-	-	(65,989)
Net cash from investing activities	<u>18,431</u>	<u>-</u>	<u>-</u>	<u>18,431</u>
 Net change in cash and cash equivalents	 (202,233)	 -	 -	 (202,233)
 Cash and cash equivalents, beginning of year	 <u>2,958,088</u>	 <u>-</u>	 <u>-</u>	 <u>2,958,088</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 2,755,855</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 2,755,855</u></u>

The following summarizes combining information for the Authority and EMS, 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:

	<u>Beaver County Hospital Authority</u>	<u>Beaver County Emergency Medical Services</u>	<u>Eliminations</u>	<u>Combined Total</u>
Assets and deferred outflows of resources				
Assets				
Current assets	\$ 4,807,638	\$ 634,800	\$ (634,800)	\$ 4,807,638
Capital assets, net	<u>1,354,645</u>	<u>92,758</u>	<u>-</u>	<u>1,447,403</u>
Total assets	<u>6,162,283</u>	<u>727,558</u>	<u>(634,800)</u>	<u>6,255,041</u>
Deferred outflows of resources	<u>359,056</u>	<u>-</u>	<u>-</u>	<u>359,056</u>
Total assets and deferred outflows of resources	<u><u>\$ 6,521,339</u></u>	<u><u>\$ 727,558</u></u>	<u><u>\$ (634,800)</u></u>	<u><u>\$ 6,614,097</u></u>
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Current liabilities	\$ 1,788,748	\$ -	\$ (634,800)	\$ 1,153,948
Long-term liabilities	16,988	-	-	16,988
Net OPEB obligation	<u>421,572</u>	<u>-</u>	<u>-</u>	<u>421,572</u>
Total liabilities	<u>2,227,308</u>	<u>-</u>	<u>(634,800)</u>	<u>1,592,508</u>
Deferred inflows of resources	<u>406,761</u>	<u>-</u>	<u>-</u>	<u>406,761</u>
Net position				
Net investment in capital assets	1,304,566	92,758	-	1,397,324
Restricted - expendable for				
Capital acquisitions	3,451	-	-	3,451
Specific operating activities	-	634,800	-	634,800
Unrestricted	<u>2,579,253</u>	<u>-</u>	<u>-</u>	<u>2,579,253</u>
Total net position	<u>3,887,270</u>	<u>727,558</u>	<u>-</u>	<u>4,614,828</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 6,521,339</u></u>	<u><u>\$ 727,558</u></u>	<u><u>\$ (634,800)</u></u>	<u><u>\$ 6,614,097</u></u>

The Beaver County Hospital Authority
Notes to Financial Statements
June 30, 2017 and 2016

Operating results and changes in net position for the year ended June 30, 2016:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Operating revenues				
Net patient and resident service revenue	\$ 5,823,695	\$ -	\$ -	\$ 5,823,695
Community pharmacy revenue	2,140,999	-	-	2,140,999
Other operating revenue	330,038	-	(185,884)	144,154
Total operating revenues	<u>8,294,732</u>	<u>-</u>	<u>(185,884)</u>	<u>8,108,848</u>
Operating expenses				
Depreciation	325,524	52,826	-	378,350
Other operating expenses	8,373,772	185,884	(185,884)	8,373,772
Total operating expenses	<u>8,699,296</u>	<u>238,710</u>	<u>(185,884)</u>	<u>8,752,122</u>
Operating loss	<u>(404,564)</u>	<u>(238,710)</u>	<u>-</u>	<u>(643,274)</u>
Nonoperating revenues	<u>597,323</u>	<u>276,690</u>	<u>-</u>	<u>874,013</u>
Change in net position	192,759	37,980	-	230,739
Net position, beginning of year	<u>3,694,511</u>	<u>689,578</u>	<u>-</u>	<u>4,384,089</u>
Net position, end of year	<u>\$ 3,887,270</u>	<u>\$ 727,558</u>	<u>\$ -</u>	<u>\$ 4,614,828</u>

Cash flows for the year ended June 30, 2016:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Net cash used in operating activities	\$ (264,643)	\$ (266,235)	\$ -	\$ (530,878)
Net cash from noncapital financing activities	711,714	276,690	-	988,404
Net cash used in capital and capital related financing activities	(158,110)	(10,455)	-	(168,565)
Net cash from investing activities	<u>13,570</u>	<u>-</u>	<u>-</u>	<u>13,570</u>
Net change in cash and cash equivalents	302,531	-	-	302,531
Cash and cash equivalents, beginning of year	<u>2,655,557</u>	<u>-</u>	<u>-</u>	<u>2,655,557</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,958,088</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,958,088</u></u>



Required Supplementary Information
June 30, 2017 and 2016

The Beaver County Hospital Authority

The Beaver County Hospital Authority
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability (Unaudited)
 Oklahoma Public Employees Retirement System Plan

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.09109%	0.11721%	0.14655%
Authority's proportionate share of the net pension liability	\$ 903,790	\$ 421,572	\$ 269,000
Authority's covered-employee payroll	\$ 3,834,666	\$ 3,651,722	\$ 3,518,838
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.57%	11.54%	7.64%
Plan fiduciary net position as a percentage of the total pension liability	94.28%	89.48%	96.00%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. Information in the schedule has been determined as of the measurement date (the June 30 twelve months immediately preceding the Authority's most recent fiscal year-end) of the collective net pension liability in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68.

The Beaver County Hospital Authority
 Required Supplementary Information
 Schedule of the Authority's Contributions (Unaudited)
 Oklahoma Public Employees Retirement System Plan

Schedule of the Authority's Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 323,846	\$ 352,499	\$ 433,516
Contributions in relation to the statutorily required contribution	<u>323,846</u>	<u>352,499</u>	<u>433,516</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 3,834,666	\$ 3,651,722	\$ 3,518,838
Contributions as a percentage of covered- employee payroll	8.45%	9.65%	12.32%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. Information in this schedule has been determined as of the Authority's most recent fiscal year-end in accordance with GASB Statement No. 68.



Supplementary Information
June 30, 2017 and 2016

The Beaver County Hospital Authority



Independent Auditor's Report on Supplementary Information

The Board of Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

We have audited the financial statements of The Beaver County Hospital Authority as of and for the year ended June 30, 2017 and our report thereon dated February 19, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining schedules of statement of net position information and combining schedules of revenues, expenses and changes in net position information 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 financial statements or to the 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.

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Oklahoma City, Oklahoma
February 19, 2018

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The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
Year Ended June 30, 2017

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and cash equivalents	\$ 1,958,950	\$ 46,150	\$ -	\$ 2,005,100	\$ -	\$ -	\$ 2,005,100
Restricted cash and cash equivalents	747,284	3,471	-	750,755	-	-	750,755
Short-term certificates of deposit	199,508	50,000	-	249,508	-	-	249,508
Patient and resident receivables, net of estimated uncollectibles of \$263,626	612,249	169,692	-	781,941	-	-	781,941
Due from related parties	23,034	-	(23,034)	-	747,284	(747,284)	-
County appropriations receivable	53,154	46,989	-	100,143	-	-	100,143
Estimated amounts due to third-party payors	12,299	-	-	12,299	-	-	12,299
Supplies	451,486	16,203	-	467,689	-	-	467,689
Prepaid expenses and other	122,403	12,255	-	134,658	-	-	134,658
Total current assets	4,180,367	344,760	(23,034)	4,502,093	747,284	(747,284)	4,502,093
Capital Assets							
Capital assets not being depreciated	40,731	12,000	-	52,731	-	-	52,731
Capital assets being depreciated	654,738	355,027	-	1,009,765	67,202	-	1,076,967
Total capital assets	695,469	367,027	-	1,062,496	67,202	-	1,129,698
Total assets	4,875,836	711,787	(23,034)	5,564,589	814,486	(747,284)	5,631,791
Deferred Outflows of Resources	448,648	397,858	-	846,506	-	-	846,506
Total assets and deferred outflows of resources	\$ 5,324,484	\$ 1,109,645	\$ (23,034)	\$ 6,411,095	\$ 814,486	\$ (747,284)	\$ 6,478,297

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Current maturities of long-term debt	\$ 16,989	\$ -	\$ -	\$ 16,989	\$ -	\$ -	\$ 16,989
Accounts payable	337,911	72,393	-	410,304	-	-	410,304
Due to related parties	747,284	23,034	(23,034)	747,284	-	(747,284)	-
Accrued expense	258,893	172,678	-	431,571	-	-	431,571
Estimated amounts due to third-party payors	-	-	-	-	-	-	-
Total current liabilities	1,361,077	268,105	(23,034)	1,606,148	-	(747,284)	858,864
Net OPEB Obligation	479,389	424,402	-	903,791	-	-	903,791
Total liabilities	1,840,466	692,507	(23,034)	2,509,939	-	(747,284)	1,762,655
Deferred Inflows of Resources	101,701	90,187	-	191,888	-	-	191,888
Net Position							
Net investment in capital assets	678,480	367,027	-	1,045,507	67,202	-	1,112,709
Restricted - expendable for							
Capital acquisitions	-	3,471	-	3,471	-	-	3,471
Specific operating activities	-	-	-	-	747,284	-	747,284
Unrestricted	2,703,837	(43,547)	-	2,660,290	-	-	2,660,290
Total net position	3,382,317	326,951	-	3,709,268	814,486	-	4,523,754
Total liabilities, deferred inflows of resources and net position	\$ 5,324,484	\$ 1,109,645	\$ (23,034)	\$ 6,411,095	\$ 814,486	\$ (747,284)	\$ 6,478,297

The Beaver County Hospital Authority
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2017

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medial Services	Eliminations	Combined Total
Operating revenues							
Net patient and resident service revenue, net of provision for bad debts of \$10,403	\$ 3,541,412	\$ 2,509,719	\$ -	\$ 6,051,131	\$ -	\$ -	\$ 6,051,131
Community pharmacy revenue	1,827,448	-	-	1,827,448	-	-	1,827,448
Other	336,916	125,530	(53,055)	409,391	-	(189,656)	219,735
Total operating revenues	5,705,776	2,635,249	(53,055)	8,287,970	-	(189,656)	8,098,314
Operating Expenses							
Salaries and wages	2,214,490	1,620,176	-	3,834,666	-	-	3,834,666
Employee benefits	438,634	457,618	-	896,252	-	-	896,252
Purchased services and professional fees	751,681	52,674	-	804,355	189,656	(189,656)	804,355
Supplies and other	2,469,987	787,592	(53,055)	3,204,524	-	-	3,204,524
Deprecation	251,062	72,747	-	323,809	25,556	-	349,365
Total operating expenses	6,125,854	2,990,807	(53,055)	9,063,606	215,212	(189,656)	9,089,162
Operating Loss	(420,078)	(355,558)	-	(775,636)	(215,212)	-	(990,848)
Nonoperating Revenues (Expenses)							
County appropriations - unrestricted	209,623	201,625	-	411,248	-	-	411,248
County appropriations - restricted	52,885	-	-	52,885	302,140	-	355,025
Investment income	16,806	1,625	-	18,431	-	-	18,431
Noncapital grants and gifts	115,521	788	-	116,309	-	-	116,309
Interest expense	(1,239)	-	-	(1,239)	-	-	(1,239)
Total nonoperating revenues	393,596	204,038	-	597,634	302,140	-	899,774
Change in Net Position	(26,482)	(151,520)	-	(178,002)	86,928	-	(91,074)
Net Position, Beginning of Year	3,408,799	478,471	-	3,887,270	727,558	-	4,614,828
Net Position, End of Year	\$ 3,382,317	\$ 326,951	\$ -	\$ 3,709,268	\$ 814,486	\$ -	\$ 4,523,754

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The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
Years Ended June 30, 2016

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and cash equivalents	\$ 2,063,657	\$ 256,180	\$ -	\$ 2,319,837	\$ -	\$ -	\$ 2,319,837
Restricted cash and cash equivalents	634,800	3,451	-	638,251	-	-	638,251
Short-term certificates of deposit	199,508	50,000	-	249,508	-	-	249,508
Patient and resident receivables, net of estimated uncollectibles of \$430,000	706,362	210,255	-	916,617	-	-	916,617
Due from related parties	11,300	6,386	(17,686)	-	634,800	(634,800)	-
County appropriations receivable	53,154	54,986	-	108,140	-	-	108,140
Supplies	465,208	16,203	-	481,411	-	-	481,411
Prepaid expenses and other	93,522	352	-	93,874	-	-	93,874
Total current assets	4,227,511	597,813	(17,686)	4,807,638	634,800	(634,800)	4,807,638
Capital Assets							
Capital assets not being depreciated	40,731	12,000	-	52,731	-	-	52,731
Capital assets being depreciated	881,448	420,466	-	1,301,914	92,758	-	1,394,672
Total capital assets	922,179	432,466	-	1,354,645	92,758	-	1,447,403
Total assets	5,149,690	1,030,279	(17,686)	6,162,283	727,558	(634,800)	6,255,041
Deferred Outflows of Resources	190,623	168,433	-	359,056	-	-	359,056
Total assets and deferred outflows of resources	<u>\$ 5,340,313</u>	<u>\$ 1,198,712</u>	<u>\$ (17,686)</u>	<u>\$ 6,521,339</u>	<u>\$ 727,558</u>	<u>\$ (634,800)</u>	<u>\$ 6,614,097</u>

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Current maturities of long-term debt	\$ 33,091	\$ -	\$ -	\$ 33,091	\$ -	\$ -	\$ 33,091
Accounts payable	287,309	109,431	-	396,740	-	-	396,740
Due to related parties	641,186	11,300	(17,686)	634,800	-	(634,800)	-
Accrued expense	328,178	210,939	-	539,117	-	-	539,117
Estimated amounts due to third-party payors	185,000	-	-	185,000	-	-	185,000
Total current liabilities	1,474,764	331,670	(17,686)	1,788,748	-	(634,800)	1,153,948
Long-Term Debt	16,988	-	-	16,988	-	-	16,988
Net OPEB Obligation	223,813	197,759	-	421,572	-	-	421,572
Total liabilities	1,715,565	529,429	(17,686)	2,227,308	-	(634,800)	1,592,508
Deferred Inflows of Resources	215,949	190,812	-	406,761	-	-	406,761
Net Position							
Net investment in capital assets	872,100	432,466	-	1,304,566	92,758	-	1,397,324
Restricted - expendable for							
Capital acquisitions	-	3,451	-	3,451	-	-	3,451
Specific operating activities	-	-	-	-	634,800	-	634,800
Unrestricted	2,536,699	42,554	-	2,579,253	-	-	2,579,253
Total net position	3,408,799	478,471	-	3,887,270	727,558	-	4,614,828
Total liabilities, deferred inflows of resources and net position	\$ 5,340,313	\$ 1,198,712	\$ (17,686)	\$ 6,521,339	\$ 727,558	\$ (634,800)	\$ 6,614,097

The Beaver County Hospital Authority
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information
Years Ended June 30, 2016

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medial Services	Eliminations	Combined Total
Operating revenues							
Net patient and resident service revenue, net of provision for bad debts of \$116,070	\$ 3,428,529	\$ 2,395,166	\$ -	\$ 5,823,695	\$ -	\$ -	\$ 5,823,695
Community pharmacy revenue	2,140,999	-	-	2,140,999	-	-	2,140,999
Other	272,722	97,525	(40,209)	330,038	-	(185,884)	144,154
Total operating revenues	5,842,250	2,492,691	(40,209)	8,294,732	-	(185,884)	8,108,848
Operating Expenses							
Salaries and wages	2,258,799	1,392,923	-	3,651,722	-	-	3,651,722
Employee benefits	410,707	303,760	-	714,467	-	-	714,467
Purchased services and professional fees	696,792	84,277	-	781,069	185,884	(185,884)	781,069
Supplies and other	2,517,183	749,540	(40,209)	3,226,514	-	-	3,226,514
Depreciation	264,676	60,848	-	325,524	52,826	-	378,350
Total operating expenses	6,148,157	2,591,348	(40,209)	8,699,296	238,710	(185,884)	8,752,122
Operating Loss	(305,907)	(98,657)	-	(404,564)	(238,710)	-	(643,274)
Nonoperating Revenues (Expenses)							
County appropriations - unrestricted	224,584	226,469	-	451,053	-	-	451,053
County appropriations - restricted	37,073	-	-	37,073	276,690	-	313,763
Investment income	11,840	1,738	-	13,578	-	-	13,578
Noncapital grants and gifts	95,255	2,735	-	97,990	-	-	97,990
Interest expense	(2,371)	-	-	(2,371)	-	-	(2,371)
Total nonoperating revenues	366,381	230,942	-	597,323	276,690	-	874,013
Change in Net Position	60,474	132,285	-	192,759	37,980	-	230,739
Net Position, Beginning of Year	3,348,325	346,186	-	3,694,511	689,578	-	4,384,089
Net Position, End of Year	\$ 3,408,799	\$ 478,471	\$ -	\$ 3,887,270	\$ 727,558	\$ -	\$ 4,614,828



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*

The Board of Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Beaver County Hospital Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 19, 2018.

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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2017-A through 2017-D.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency: 2017-E.

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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.

Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Bailly LLP".

Oklahoma City, Oklahoma
February 19, 2018

Findings – Financial Statements Audit – Internal Controls over Financial Reporting

Material Weakness

2017-A Segregation of Duties

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

Condition: During the course of our engagement, we noted that the Authority has limited staff completing incompatible accounting functions due to the size of the entity. The Comptroller, Hospital Business Office Manager and Nursing Home Business Office Manager prepares journal entries and also has access to assets and reconciling responsibilities. There is no review of journal entries prepared by the Comptroller.

Cause: A limited number of office personnel prevent a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

Effect: Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

Auditor's Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Authority should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Authority should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Views of Responsible Officials: Management agrees with the finding and has reviewed the operating procedures of the Authority. Due to the limited number of office employees, management will continue to monitor the Authority's operations and procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

2017-B Preparation of Financial Statements

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: The Authority does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. As auditors, we cannot be considered part of the internal control system.

Cause: This weakness is due to the limited resources in the financial reporting process due to budgetary constraints.

Effect: The effect of this condition is that yearend financial reporting is prepared by a party outside of the Authority. The outside party does not have constant contact with the ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to interim financial statements.

Auditor's Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Views of Responsible Officials: Given the staffing levels of the Authority, we do not think it would be cost-effective to fully cure this deficiency at this time. In addition, given the complex and constantly changing nature of financial reporting requirements, we believe that better results can be achieved by continuing to rely on the expertise of our outside auditors regarding these matters.

2017-C Bad Debt and Contractual Allowances

Criteria: Accountings standards require an entity to estimate an allowance on the collectability of receivables. The allowance should be based on historical data and current reimbursement rates.

Condition: The allowance calculations were not properly estimated during the year.

Effect: Interim financial statements may not be properly stated. An audit adjustment was made to the allowance accounts.

Cause: Historical collections are not reviewed and considered in determining the potential impact on contractual adjustments or bad debt write-offs.

Auditor's Recommendation: We recommend that management develop an estimate based on historical allowance accounts should be reviewed each month as well for reasonableness in relation to the accounts receivable and revenue.

Views of Responsible Officials: Management will develop an estimate based on historical collection percentages.

2017-D Account Reconciliation

Criteria: Reviewing and reconciling accounts to the general ledger is a necessary step in the Authority's internal control process.

Condition: During the course of our engagement, it was identified that capital assets and accrued expenses are not reconciled from a sub-ledger or other detail or support to the general ledger on a timely basis.

Effect: Misstatements are not identified and corrected in a timely manner. This impacts management's decisions making during the year based on inaccurate financials.

Cause: Areas with differences that resulted in significant adjustments to the financial statements included capital assets and accrued liabilities.

Auditor's Recommendation: We recommend management prepare account reconciliations on a timely basis as well as a review of these reconciliations, in order to identify potential misstatements and reconciling items. Significant accounts should be reconciled from a sub-ledger or other detail or support to the general ledger at least on a monthly basis. Any variances should also be reconciled on a periodic basis to ensure that these balances also remain applicable.

Views of Responsible Officials: Management agrees and has developed a process to reconcile accounts on a regular basis and investigate any variances.

Significant Deficiency

2017-E Cost Report Estimate

Criteria: Accountings standards require an entity to estimate significant balances, including the Medicare cost report settlement, in order to fairly state the financial position as of year-end.

Condition: During the current year, the Authority recorded an estimate for the Medicare cost report settlement. However, the estimate was different from the ultimately filed cost report.

Effect: This resulted in a material adjusting journal entry to properly state the current year settlement.

Cause: The current year cost report settlement was not properly estimated at year end which resulted in a material journal entry to the financial statements.

Auditor's Recommendation: It is recommended the Hospital implement a system that provides adequate controls over estimating cost report settlements.

Views of Responsible Officials: Management will assess the need to purchase estimating software to more accurately reflect the Medicare Cost Report Settlements. The key to the assessment will be weighing cost versus the financial benefit of this purchase.