



Financial Statements  
June 30, 2018 and 2017

# The Beaver County Hospital Authority

The Beaver County Hospital Authority

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June 30, 2018 and 2017

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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 statements of net position of The Beaver County Hospital Authority (the Authority), as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Notes 1 and 7 to the financial statements, the Authority has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In accordance with GASB Statement No. 75, the 2017 financial statements have not been restated to reflect this change. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 and the required supplementary information on pages 34 through 36 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 13, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma  
February 13, 2019

## 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, 2018, 2017 and 2016. It should be read in conjunction with the accompanying financial statements of the Authority.

## Financial Highlights

- Current assets increased in 2018 by \$422,205 or 9% and decreased in 2017 by \$305,545 or 6%.
- Deferred outflows of resources decreased in 2018 by \$9,754 or 1% and increased in 2017 by \$487,450 or 136%.
- Current liabilities increased in 2018 by \$474,869 or 55% and decreased in 2017 by \$295,084 or 26%.
- Net pension and other postemployment benefits (OPEB) obligations decreased in 2018 by \$170,040 or 19% and increased in 2017 by \$482,219 or 114%.
- The Authority's net position decreased in 2018 by \$127,839 or 3% and decreased in 2017 by \$91,074 or 2%.
- The Authority reported an operating loss in 2018 of \$1,189,155, an operating loss in 2017 of \$990,848, and an operating loss in 2016 of \$643,274. During 2018, the operating loss increased by \$198,307 or 20% and the operating loss increased by \$347,547 or 54% during 2017.
- Salaries, wages, and employee benefits increased by \$29,546 or 1% in 2018, and increased by \$364,719 or 8% in 2017.

## 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, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources - 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, deferred outflows of resources, liabilities and deferred inflows of resources reported in the Statement of Net Position. The Authority's net position decreased by \$127,839 or 3% in 2018 and decreased by \$91,074 or 2% in 2017 as shown in Table 1.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current assets	\$ 4,924,298	\$ 4,502,093	\$ 4,807,638
Capital assets, net of accumulated depreciation	874,021	1,129,698	1,447,403
Total assets	<u>5,798,319</u>	<u>5,631,791</u>	<u>6,255,041</u>
Deferred Outflows of Resources	<u>856,260</u>	<u>846,506</u>	<u>359,056</u>
Total assets and deferred outflows of resources	<u><u>\$ 6,654,579</u></u>	<u><u>\$ 6,478,297</u></u>	<u><u>\$ 6,614,097</u></u>
Liabilities			
Current liabilities	\$ 1,333,733	\$ 858,864	\$ 1,153,948
Long-term debt, less current maturities	-	-	16,988
Net pension and OPEB obligations	733,751	903,791	421,572
Total liabilities	<u>2,067,484</u>	<u>1,762,655</u>	<u>1,592,508</u>
Deferred Inflows of Resources	<u>191,180</u>	<u>191,888</u>	<u>406,761</u>
Net Position			
Net investment in capital assets	874,021	1,112,709	1,397,324
Restricted:			
Expendable for capital acquisitions	3,506	3,471	3,451
Expendable for specific operating activities	356,793	287,976	634,800
Unrestricted	<u>3,161,595</u>	<u>3,119,598</u>	<u>2,579,253</u>
Total net position	<u>4,395,915</u>	<u>4,523,754</u>	<u>4,614,828</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 6,654,579</u></u>	<u><u>\$ 6,478,297</u></u>	<u><u>\$ 6,614,097</u></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 increased \$422,205 or 9% in 2018 and decreased \$305,545 or 6% in 2017. Cash and cash equivalents decreased \$823,186 or 30% in 2018 due to a purchase of \$1,006,081 of investments and decreased \$202,233 or 7% in 2017 due to a decrease in receipts from operating activities. Patient and resident receivables increased \$257,151 or 33% in 2018 due to an increase in services provided during June and decreased \$134,676 or 15% in 2017 due to a decrease in services provided during June. Capital assets decreased \$255,677 or 23% in 2018 and \$317,705 or 22% in 2017 due to depreciation expense being greater than purchases. Current liabilities increased \$474,869 or 55% in 2018 and decreased \$295,084 or 26% in 2017. In 2018, the Authority owed the Medicare program \$537,657 for estimated third-party settlements. 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.

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

	2018	2017	2016
Operating Revenues			
Net patient service revenue	\$ 5,897,210	\$ 6,051,131	\$ 5,823,695
Community pharmacy revenue	1,512,700	1,827,448	2,140,999
Other operating revenue	140,076	219,735	144,154
Total operating revenue	<u>7,549,986</u>	<u>8,098,314</u>	<u>8,108,848</u>
Operating Expenses			
Salaries, wages, and employee benefits	4,760,464	4,730,918	4,366,189
Purchased services and professional fees	851,271	804,355	781,069
Supplies and other	2,826,456	3,204,524	3,226,514
Depreciation	300,950	349,365	378,350
Total operating expenses	<u>8,739,141</u>	<u>9,089,162</u>	<u>8,752,122</u>
Operating Loss	<u>(1,189,155)</u>	<u>(990,848)</u>	<u>(643,274)</u>
Nonoperating Revenues (Expenses)			
County appropriations - unrestricted	359,268	411,248	451,053
County appropriations - restricted	505,824	355,025	313,763
Investment income	35,673	18,431	13,578
Noncapital grants and contributions	160,727	116,309	97,990
Interest expense	(176)	(1,239)	(2,371)
Nonoperating revenues, net	<u>1,061,316</u>	<u>899,774</u>	<u>874,013</u>
Change in Net Position	<u>\$ (127,839)</u>	<u>\$ (91,074)</u>	<u>\$ 230,739</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 2018, 2017, and 2016.

The operating loss for 2018 increased by \$198,307 or 20% as compared to the increase of \$347,574 or 54% in 2017. The primary components of the increases in operating loss are:

- An decrease in patient and resident revenue, net of uncollectible accounts, of \$153,921 or 3% in 2018 and an increase of \$227,436 or 4% in 2017. In 2018, the decrease is due to bad debt write offs. The increase in 2017 is due to due to higher patient volumes.
- A decrease in community pharmacy revenue of \$314,748 or 17% in 2018 and a decrease of \$313,551 or 15% in 2017. The changes in community pharmacy revenue are due to a decreases in prescriptions.
- An increase in salaries, wages and employee benefits of \$29,546 or 1% in 2018 and \$364,729 of 8% in 2017. The increases are due to an increase in employee benefits.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of county appropriations and noncapital grants and contributions. The county appropriations increased by \$98,819 or 13% in 2018 and increased \$1,457 or 0.2% in 2017. Noncapital grants and contributions increased by \$44,418 or 38% in 2018 and \$18,319 or 19% in 2017.

### **The Authority's Cash Flows**

The Authority's overall liquidity decreased during the year with a net decrease to cash and cash equivalents, of \$823,186 or 30% when compared with 2017 and decreased \$202,233 or 7% during 2017 when compared to 2016. Cash flows used for operating activities increased by \$354,748 or 34% during 2018 when compared with 2017 and increased by \$514,376 during 2017 when compared with 2016. This was due primarily to the decrease in payments to suppliers and contractors during 2018 and the decrease in payments from electronic health records incentive during 2017. Cash from non-capital financing activities increased by \$9,587 compared with 2017 and decreased by \$97,825 during 2017 when compared with 2016. Cash used for capital and capital related financing activities decreased by \$3,551 when compared with 2017 and increased by \$102,576 during 2017 when compared with 2016. Cash used for investing activities increased by \$988,839 in 2018 and increased by \$4,861 in 2017.

### **Capital Assets**

The Authority had \$874,021 invested in capital assets at the end of 2018 and \$1,129,709 at the end of 2017, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets totaling \$45,273 in 2018 and \$31,660 in 2017.

### **Note Payable and Capital Leases**

The Authority did not have a note payable or capital leases at the end of 2018. The Authority had debt obligations of \$16,989 at the end of 2017, as detailed in Note 6 to the financial statements. The Authority made principal payments of \$16,989 in 2018 and \$33,090 in 2017.

### **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>2018</u>	<u>2017</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,742,356	\$ 2,464,408
Restricted cash and cash equivalents	190,313	291,447
Short-term certificates of deposit	1,255,589	249,508
Receivables		
Patient and resident, net of estimated uncollectibles of \$238,000 in 2018 and \$291,890 in 2017	1,039,092	781,941
County appropriations	225,796	100,143
Estimated third-party payor settlements	-	12,299
Supplies	445,451	467,689
Prepaid expenses and other	25,701	134,658
	<u>4,924,298</u>	<u>4,502,093</u>
<b>Capital Assets</b>		
Capital assets not being depreciated	52,731	52,731
Capital assets being depreciated	821,290	1,076,967
	<u>874,021</u>	<u>1,129,698</u>
Total capital assets	874,021	1,129,698
Total assets	5,798,319	5,631,791
Deferred Outflows of Resources	<u>856,260</u>	<u>846,506</u>
Total assets and deferred outflows of resources	<u>\$ 6,654,579</u>	<u>\$ 6,478,297</u>

The Beaver County Hospital Authority  
 Statements of Net Position  
 June 30, 2018 and 2017

	2018	2017
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ -	\$ 16,989
Accounts payable		
Trade	356,312	410,304
Estimated third-party payor settlements	537,657	-
Accrued expenses	439,764	431,571
Total current liabilities	1,333,733	858,864
Net Pension and OPEB Obligations	733,751	903,791
Total liabilities	2,067,484	1,762,655
Deferred Inflows of Resources	191,180	191,888
<b>Net Position</b>		
Net investment in capital assets	874,021	1,112,709
Restricted:		
Expendable for capital acquisition	3,506	3,471
Expendable for specific operating activities	356,793	287,976
Unrestricted	3,161,595	3,119,598
Total net position	4,395,915	4,523,754
Total liabilities, deferred inflows of resources, and net position	\$ 6,654,579	\$ 6,478,297

The Beaver County Hospital Authority  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$352,859 in 2018 and \$10,403 in 2017	\$ 5,897,210	\$ 6,051,131
Community pharmacy revenue	1,512,700	1,827,448
Other revenue	140,076	219,735
Total operating revenues	7,549,986	8,098,314
Operating Expenses		
Salaries and wages	3,911,958	3,834,666
Employee benefits	848,506	896,252
Professional fees and purchased services	851,271	804,355
Supplies and other	2,826,456	3,204,524
Depreciation	300,950	349,365
Total operating expenses	8,739,141	9,089,162
Operating Loss	(1,189,155)	(990,848)
Nonoperating Revenues (Expenses)		
County appropriations - unrestricted	359,268	411,248
County appropriations - restricted	505,824	355,025
Investment income	35,673	18,431
Noncapital grants and contributions	160,727	116,309
Interest expense	(176)	(1,239)
Net nonoperating revenues	1,061,316	899,774
Change in Net Position	(127,839)	(91,074)
Net Position, Beginning of Year	4,523,754	4,614,828
Net Position, End of Year	\$ 4,395,915	\$ 4,523,754

The Beaver County Hospital Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 7,702,715	\$ 7,815,956
Payments to suppliers and contractors	(3,600,524)	(4,022,377)
Payments to and on behalf employees	(4,932,773)	(5,058,568)
Other receipts and payments, net	140,076	219,735
Net Cash used for Operating Activities	(690,506)	(1,045,254)
Noncapital Financing Activities		
Noncapital contributions and grants	160,727	116,309
Proceeds from county appropriations	739,439	774,270
Net Cash from Noncapital Financing Activities	900,166	890,579
Capital and Capital Related Financing Activities		
Principal payments on long-term debt	(16,989)	(33,090)
Interest paid	(176)	(1,239)
Purchase of capital assets	(45,273)	(31,660)
Net Cash used for Capital and Capital Related Financing Activities	(62,438)	(65,989)
Investing Activities		
Investment income	35,673	18,431
Purchase of investments	(1,006,081)	-
Net Cash (used for) from Investing Activities	(970,408)	18,431
Net Change in Cash and Cash Equivalents	(823,186)	(202,233)
Cash and Cash Equivalents, Beginning of Year	2,755,855	2,958,088
Cash and Cash Equivalents, End of Year	\$ 1,932,669	\$ 2,755,855
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 1,742,356	\$ 2,464,408
Restricted cash and cash equivalents	190,313	291,447
Total cash and cash equivalents	\$ 1,932,669	\$ 2,755,855

The Beaver County Hospital Authority  
 Statements of Cash Flows  
 Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (1,189,155)	\$ (990,848)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation on capital assets	300,950	349,365
Provision for bad debts	352,859	10,403
Changes in assets, liabilities, deferred inflows of resources and deferred outflows of resources		
Patient and resident receivables	(610,010)	124,273
Supplies	22,238	13,722
Prepaid expenses and other	108,957	(40,784)
Accounts payable	(53,992)	13,564
Accrued expenses	8,193	(107,546)
Estimated third-party payor settlements	549,956	(197,299)
Net pension and OPEB obligation	(170,040)	482,219
Deferred inflow of resources	(708)	(214,873)
Deferred outflow of resources	(9,754)	(487,450)
Net Cash used for Operating Activities	\$ (690,506)	\$ (1,045,254)

## **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 operates Beaver County Hospital (Hospital), Beaver County Nursing Home (Nursing Home), two rural health clinics and a Community Pharmacy. The Hospital, located in Beaver, Oklahoma, is a 24-bed general, short-term, Medicare-certified facility. The Nursing Home is a 62-bed residential living facility located in Beaver, Oklahoma. The two rural health clinics are located in Beaver and Turpin, Oklahoma and the Community Pharmacy is 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 County 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, 2018 and 2017.

*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 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 include certificates of deposit with an original maturity of three to twelve months, excluding restricted cash and investments.

## **Investment Income**

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



### **Patient and Resident Receivables**

Patient and resident receivables are uncollateralized patients, 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, 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.

### **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 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 reported after nonoperating activities. 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 unrecognized items not yet charged to pension and other postemployment benefits (OPEB) expense and contributions from the employer after the measurement date but before the end of the employer's reporting period related to the pension and OPEB plans. 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.

### **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 statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

### **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. Investments held by OPERS are reported at fair value by OPERS.

### **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 and OPEB 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 and OPEB 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.

### **Community Pharmacy Revenue**

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established charges. Payment arrangements include reimbursed costs and discounted charges. Community pharmacy revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others.

### **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 nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues.

### **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 4% and 5% of its financial support from county appropriations related to sales taxes during the years ended June 30, 2018 and 2017.

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 6% and 4% of its financial support from ad valorem tax revenue during both of the years ended June 30, 2018 and 2017.

### **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 and resident service revenue. The Authority received \$83,000 and \$53,000 during the years ended June 30, 2018 and 2017.

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

### **New Accounting Pronouncements Adopted in Fiscal Year 2018**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) was issued in June 2015 and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, it identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Because information is not available to restate the fiscal year 2017 financial statements, the effects of implementation of this standard were adjusted in fiscal year 2018. The adjustment to record the Authority's proportionate share of the net OPEB liability as of July 1, 2017 was not material. Therefore, there was no restatement to July 1, 2017 net position as a result of implementation of this standard. See Note 7 for further information.

### **Reclassifications**

Reclassifications have been made to the June 30, 2017 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:

#### **Hospital**

Medicare: The Hospital 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). The Hospital's Medicare cost reports have been audited by the MAC through the year ended June 30, 2017. Clinical services are paid on a cost basis or fixed fee schedule.

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

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

**Nursing Home**

Medicare: Inpatient skilled care rendered to Medicare program beneficiaries are paid at prospectively determined rates.

Medicaid: Medicaid services are paid at prospectively determined rates.

Other carriers: The Nursing Home has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Nursing Home under these agreements includes prospectively determined rates and discounts from established charges.

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, 2018 and 2017:

	2018	2017
Medicare	66%	61%
Medicaid	6%	7%
Other third-party payors	25%	28%
Self pay and other	3%	4%
	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.

**Note 3 - Deposits**

The following statement of net position captions are considered deposits:

	2018	2017
Cash and cash equivalents	\$ 1,742,356	\$ 2,464,408
Restricted cash and cash equivalents	190,313	291,447
Short-term certificates of deposit	1,255,589	249,508
	\$ 3,188,258	\$ 3,005,363

**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, 2018 and 2017 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 year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Transfers and Retirements	Balance June 30, 2018
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets not being depreciated				
Land	\$ 52,731	\$ -	\$ -	\$ 52,731
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets being depreciated				
Land improvements	\$ 16,380	\$ -	\$ -	\$ 16,380
Building and improvements	2,657,699	11,709	-	2,669,408
Equipment	3,015,833	33,564	-	3,049,397
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total capital assets being depreciated	5,689,912	\$ 45,273	\$ -	5,735,185
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Less accumulated depreciation for				
Land improvements	(9,647)	\$ (196)	\$ -	(9,843)
Building and improvements	(2,119,193)	(20,207)	-	(2,139,400)
Equipment	(2,484,105)	(280,547)	-	(2,764,652)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total accumulated depreciation	(4,612,945)	\$ (300,950)	\$ -	(4,913,895)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net capital assets being depreciated	\$ 1,076,967			\$ 821,290
	<u>                    </u>			<u>                    </u>
Capital assets, net	\$ 1,129,698			\$ 874,021
	<u>                    </u>			<u>                    </u>

The Beaver County Hospital Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

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

	Balance June 30, 2016	<u>          </u> Additions	<u>          </u> Transfers and Retirements	<u>          </u> Balance June 30, 2017
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>

### **Note 5 - Long-Term Debt**

The Authority's long-term debt as of June 30, 2018 and 2017 consisted of a capital lease with an interest rate of 3.54%, collateralized by associated equipment with an original value of \$201,140. Payments on the capital lease during the years ended June 30, 2018 and 2017 totaled \$16,989 and \$33,090. The Authority has a \$450,000 revolving line of credit which expires in July 2019. No amounts were drawn on this line of credit.

### **Note 6 - Retirement Pension Plan**

#### **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, 2018. For the year ended June 30, 2017, the Authority contributed 11.5% and employees contributed 8.5% of eligible compensation. For the years ended June 30, 2018 and 2017, contributions to the pension plan from the Authority were \$363,448 and \$379,350. For the years ended June 30, 2018 and 2017, contributions to the pension plan from employees were approximately \$280,000 and \$284,000.

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

At June 30, 2018 and 2017, the Authority reported a liability of \$718,529 and \$903,791, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2018 and 2017, was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016. 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 0.1328978% and 0.0910867%.

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$183,366 and \$159,245. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPERS from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 128,493	\$ -	\$ 39,716
Change in proportion	116,927	41,734	-	152,172
Change in assumptions	318,985	-	144,489	-
Net difference between projected and actual earnings on pension plan investments	32,099	-	378,170	-
Contributions made since measurement date	363,448	-	323,846	-
Total	<u>\$ 831,459</u>	<u>\$ 170,227</u>	<u>\$ 846,505</u>	<u>\$ 191,888</u>

At June 30, 2018 and 2017, the Authority reported \$363,448 and \$379,350, as deferred outflows of resources related to OPERS 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, 2019 and 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPERS at June 30, 2018, will be recognized in pension expense as follows:

	Total
2019	\$ 97,756
2020	263,653
2021	51,115
2022	(114,740)
	\$ 297,784

### Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016, actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurements:

	2017	2016
Inflation	2.75%	3.00%
Salary increase	3.5% - 9.4%	4.5% - 8.4%
Investment rate of return	7.00%	7.25%
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, 2017 and 2016, valuations were based on the results of an actuarial experience study dated April 13, 2017, for the three-year period from July 1, 2013 to June 30, 2016.

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 7.00% and 7.25% for the years ended June 30, 2018 and 2017. 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 the OPERS plan, 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:

	2018		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority’s proportionate share of the net pension liability (asset)	\$ 2,123,644	\$ 718,529	\$ (471,273)
	2017		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority’s proportionate share of the net pension liability	\$ 1,850,101	\$ 903,791	\$ 100,453

**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, 2018 and 2017, the Authority reported a payable of approximately \$53,000 and \$56,000 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2018 and 2017.

**Note 7 - Other Postemployment Benefits**

The Authority, as the employer, participates in the Health Insurance Subsidy Plan – a cost-sharing multiple-employer defined benefit OPEB plan that is administered by OPERS. The other postemployment benefit consists of a health insurance subsidy plan which provides a health insurance premium subsidy for retirees who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

At June 30, 2018, the Authority's proportionate share of the net OPEB liability was 0.1328978% and was measured as of June 30, 2017 using actuarial valuations as of July 1, 2017. As of and for the year ended June 30, 2018, the Authority recorded the following amounts related to OPEB:

Net OPEB liability	\$ (15,222)
Deferred outflows related to OPEB	24,801
Deferred inflows related to OPEB	(20,953)
OPEB Expense	(420)

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 18,763
Change in proportion	-	(14,237)
Change in assumptions	12,398	-
Net difference between projected and actual earnings on OPEB plan investments	-	16,427
Contributions made since measurement date	12,403	-
Total	<u>\$ 24,801</u>	<u>\$ 20,953</u>

The Authority's participation in OPERS is not material to the Authority's financial statements and further disclosures about the plan are not included in these financial statements. Additional information such as the benefits provided, contributions, actuarial assumptions, discount rate, OPEB liability sensitivity analysis, and OPEB plan fiduciary net position can be located in the OPERS publicly available annual financial reports that can be obtained at [www.opers.ok.gov](http://www.opers.ok.gov).

**Note 8 - Restricted and Designated Net Positions**

At June 30, 2018 and 2017, \$356,793 and \$287,976, 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, 2018 and 2017, \$3,506 and \$3,471, 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, 2018 and 2017 was as follows:

	2018	2017
Medicare	47%	38%
Medicaid	11%	15%
Commercial insurance	20%	23%
Other third-party payors and patients	22%	24%
	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.

### **Utilities Contract**

The Authority contracts with a vendor for telecommunications services. Historically, the Authority has obtained supplemental funding from the Oklahoma Universal Service Fund (OUSF) to cover some or all of these costs. The telecommunications services were being analyzed through a request for proposal process and supplemental funds were not requested during OUSF's funding window. The Authority, through a purchasing partnership, is expected to request funds during fiscal year 2019 with a retrospective date to cover back to June 1, 2017. As of June 30, 2018, the Authority has invoices from the vendor totaling \$117,855 from July 1, 2017 through December 31, 2017.

Based on management's assessment of these invoices and expected settlement, \$11,000 was recorded as a liability at June 30, 2018, which is included in accounts payable. Should no funding be received from OUSF or amounts amended by the telecommunications vendor, the Authority may be liable for the total balance invoiced. No amounts have been recorded for any potential supplemental funding.

**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, 2018.

Statement of net position as of June 30, 2018:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and deferred outflows of resources				
Assets				
Current assets	\$ 4,754,312	\$ 356,793	\$ (186,807)	\$ 4,924,298
Capital assets, net	801,346	72,675	-	874,021
Total assets	<u>5,555,658</u>	<u>429,468</u>	<u>(186,807)</u>	<u>5,798,319</u>
Deferred outflows of resources	<u>856,260</u>	-	-	<u>856,260</u>
Total assets and deferred outflows of resources	<u>\$ 6,411,918</u>	<u>\$ 429,468</u>	<u>\$ (186,807)</u>	<u>\$ 6,654,579</u>
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Current liabilities	\$ 1,520,540	\$ -	\$ (186,807)	\$ 1,333,733
Net pension and OPEB obligations	733,751	-	-	733,751
Total liabilities	<u>2,254,291</u>	<u>-</u>	<u>(186,807)</u>	<u>2,067,484</u>
Deferred inflows of resources	<u>191,180</u>	-	-	<u>191,180</u>
Net position				
Net investment in capital assets	801,346	72,675	-	874,021
Restricted - expendable for				
Capital acquisitions	3,506	-	-	3,506
Specific operating activities	-	356,793	-	356,793
Unrestricted	<u>3,161,595</u>	<u>-</u>	<u>-</u>	<u>3,161,595</u>
Total net position	<u>3,966,447</u>	<u>429,468</u>	<u>-</u>	<u>4,395,915</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,411,918</u>	<u>\$ 429,468</u>	<u>\$ (186,807)</u>	<u>\$ 6,654,579</u>

The Beaver County Hospital Authority  
Notes to Financial Statements  
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Operating results and changes in net position for the year ended June 30, 2018:

	<u>Beaver County Hospital Authority</u>	<u>Beaver County Emergency Medical Services</u>	<u>Eliminations</u>	<u>Combined Total</u>
Operating revenues				
Net patient and resident service revenue	\$ 5,829,564	\$ 67,646	\$ -	\$ 5,897,210
Community pharmacy revenue	1,512,700	-	-	1,512,700
Other operating revenue	140,076	-	-	140,076
Total operating revenues	<u>7,482,340</u>	<u>67,646</u>	<u>-</u>	<u>7,549,986</u>
Operating expenses				
Depreciation	278,985	21,965	-	300,950
Other operating expenses	7,945,699	492,492	-	8,438,191
Total operating expenses	<u>8,224,684</u>	<u>514,457</u>	<u>-</u>	<u>8,739,141</u>
Operating loss	(742,344)	(446,811)	-	(1,189,155)
Nonoperating revenues	<u>540,215</u>	<u>521,101</u>	<u>-</u>	<u>1,061,316</u>
Change in net position	(202,129)	74,290	-	(127,839)
Net position, beginning of year	<u>4,168,576</u>	<u>355,178</u>	<u>-</u>	<u>4,523,754</u>
Net position, end of year	<u>\$ 3,966,447</u>	<u>\$ 429,468</u>	<u>\$ -</u>	<u>\$ 4,395,915</u>



The Beaver County Hospital Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

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Cash flows for the year ended June 30, 2018:

	<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	\$ (249,222)	\$ (441,284)	\$ -	\$ (690,506)
Net cash from noncapital financing activities	458,882	441,284	-	900,166
Net cash used in capital and capital related financing activities	(62,438)	-	-	(62,438)
Net cash used investing activities	<u>(970,408)</u>	<u>-</u>	<u>-</u>	<u>(970,408)</u>
 Net change in cash and cash equivalents	 (823,186)	 -	 -	 (823,186)
 Cash and cash equivalents, beginning of year	 <u>2,755,855</u>	 <u>-</u>	 <u>-</u>	 <u>2,755,855</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 1,932,669</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,932,669</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, 2017.

Statement of net position as of June 30, 2017:

	<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	\$ 4,502,093	\$ 287,976	\$ (287,976)	\$ 4,502,093
Capital assets, net	<u>1,062,496</u>	<u>67,202</u>	<u>-</u>	<u>1,129,698</u>
Total assets	<u>5,564,589</u>	<u>355,178</u>	<u>(287,976)</u>	<u>5,631,791</u>
Deferred outflows of resources	<u>846,506</u>	<u>-</u>	<u>-</u>	<u>846,506</u>
Total assets and deferred outflows of resources	<u><u>\$ 6,411,095</u></u>	<u><u>\$ 355,178</u></u>	<u><u>\$ (287,976)</u></u>	<u><u>\$ 6,478,297</u></u>
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Current liabilities	\$ 1,146,840	\$ -	\$ (287,976)	\$ 858,864
Net pension obligation	<u>903,791</u>	<u>-</u>	<u>-</u>	<u>903,791</u>
Total liabilities	<u>2,050,631</u>	<u>-</u>	<u>(287,976)</u>	<u>1,762,655</u>
Deferred inflows of resources	<u>191,888</u>	<u>-</u>	<u>-</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	-	287,976	-	287,976
Unrestricted	<u>3,119,598</u>	<u>-</u>	<u>-</u>	<u>3,119,598</u>
Total net position	<u>4,168,576</u>	<u>355,178</u>	<u>-</u>	<u>4,523,754</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 6,411,095</u></u>	<u><u>\$ 355,178</u></u>	<u><u>\$ (287,976)</u></u>	<u><u>\$ 6,478,297</u></u>

The Beaver County Hospital Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

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	\$ 5,901,250	\$ 149,881	\$ -	\$ 6,051,131
Community pharmacy revenue	1,827,448	-	-	1,827,448
Other operating revenue	219,735	-	-	219,735
Total operating revenues	<u>7,948,433</u>	<u>149,881</u>	<u>-</u>	<u>8,098,314</u>
Operating expenses				
Depreciation	323,809	25,556	-	349,365
Other operating expenses	8,550,141	189,656	-	8,739,797
Total operating expenses	<u>8,873,950</u>	<u>215,212</u>	<u>-</u>	<u>9,089,162</u>
Operating loss	<u>(925,517)</u>	<u>(65,331)</u>	<u>-</u>	<u>(990,848)</u>
Nonoperating revenues	<u>589,345</u>	<u>310,429</u>	<u>-</u>	<u>899,774</u>
Change in net position	(336,172)	245,098	-	(91,074)
Net position, beginning of year	<u>4,504,748</u>	<u>110,080</u>	<u>-</u>	<u>4,614,828</u>
Net position, end of year	<u>\$ 4,168,576</u>	<u>\$ 355,178</u>	<u>\$ -</u>	<u>\$ 4,523,754</u>

The Beaver County Hospital Authority  
Notes to Financial Statements  
June 30, 2018 and 2017

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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>2,958,855</u>	 <u>-</u>	 <u>-</u>	 <u>2,958,855</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 2,756,622</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 2,756,622</u></u>



Required Supplementary Information  
June 30, 2018 and 2017

# 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

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

	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.13290%	0.09109%	0.11721%	0.14655%
Authority's proportionate share of the net pension liability	\$ 718,529	\$ 903,790	\$ 421,572	\$ 269,000
Authority's covered-employee payroll	\$ 3,298,696	\$ 3,065,209	\$ 3,769,704	\$ 3,518,838
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	21.78%	29.49%	11.18%	7.64%
Plan fiduciary net position as a percentage of the total pension liability	94.28%	89.48%	96.00%	97.90%

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

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**Schedule of the Authority's Contributions**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 363,448	\$ 379,350	\$ 352,499	\$ 433,516
Contributions in relation to the statutorily required contribution	<u>363,448</u>	<u>379,350</u>	<u>352,499</u>	<u>433,516</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 3,160,417	\$ 3,298,696	\$ 3,065,209	\$ 3,769,704
Contributions as a percentage of covered- employee payroll	11.50%	11.50%	11.50%	11.50%

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 Governmental Accounting Standards Board (GASB) Statement No. 68.

The Beaver County Hospital Authority  
Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net OPEB Liability and Contributions (Unaudited)  
Oklahoma Public Employees Retirement System Plan

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**Schedule of the Authority's Proportionate Share of the Net OPEB Liability**

	2018
Authority's proportion of the net OPEB liability	0.13290%
Authority's proportionate share of the net OPEB liability	\$ 15,222
Authority's covered-employee payroll	\$ 3,298,696
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.46%
Plan fiduciary net position as a percentage of the total OPEB liability	96.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is 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).

**Schedule of the Authority's Contributions**

	2018
Statutorily required contribution	\$ 12,403
Contributions in relation to the statutorily required contribution	12,403
Contribution excess	\$ -
Authority's covered-employee payroll	\$ 3,160,417
Contributions as a percentage of covered-employee payroll	0.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. Information in this schedule has been determined as of the Authority's most recent fiscal year-end.





Supplementary Information  
June 30, 2018 and 2017

# 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 years ended June 30, 2018 and 2017 and our report thereon dated February 13, 2019, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
February 13, 2019

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The Beaver County Hospital Authority  
Combining Schedule – Statement of Net Position Information  
June 30, 2018

	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	\$ 1,708,404	\$ 33,952	\$ -	\$ 1,742,356	\$ -	\$ -	\$ 1,742,356
Restricted cash and cash equivalents	186,807	3,506	-	190,313	-	-	190,313
Short-term certificates of deposit	1,205,589	50,000	-	1,255,589	-	-	1,255,589
Patient and resident receivables, net of estimated uncollectibles of \$238,000	939,767	99,325	-	1,039,092	-	-	1,039,092
Due from related parties	76,836	-	(76,836)	-	186,807	(186,807)	-
County appropriations receivable	-	55,810	-	55,810	169,986	-	225,796
Estimated amounts due from third-party payors	-	-	-	-	-	-	-
Supplies	432,616	12,835	-	445,451	-	-	445,451
Prepaid expenses and other	20,130	5,571	-	25,701	-	-	25,701
Total current assets	4,570,149	260,999	(76,836)	4,754,312	356,793	(186,807)	4,924,298
Capital Assets							
Capital assets not being depreciated	33,231	12,000	-	45,231	7,500	-	52,731
Capital assets being depreciated	472,995	283,120	-	756,115	65,175	-	821,290
Total capital assets	506,226	295,120	-	801,346	72,675	-	874,021
Total assets	5,076,375	556,119	(76,836)	5,555,658	429,468	(186,807)	5,798,319
Deferred Outflows of Resources	453,818	402,442	-	856,260	-	-	856,260
Total assets and deferred outflows of resources	<u>\$ 5,530,193</u>	<u>\$ 958,561</u>	<u>\$ (76,836)</u>	<u>\$ 6,411,918</u>	<u>\$ 429,468</u>	<u>\$ (186,807)</u>	<u>\$ 6,654,579</u>

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	County Emergency Medical Services	Eliminations	Combined Total
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable	\$ 259,152	\$ 97,160	\$ -	\$ 356,312	\$ -	\$ -	\$ 356,312
Due to related parties	186,807	76,836	(76,836)	186,807	-	(186,807)	-
Accrued expense	251,564	188,200	-	439,764	-	-	439,764
Estimated amounts due to third-party payors	537,657	-	-	537,657	-	-	537,657
Total current liabilities	1,235,180	362,196	(76,836)	1,520,540	-	(186,807)	1,333,733
Net Pension and OPEB Obligations	389,268	344,483	-	733,751	-	-	733,751
Total liabilities	1,624,448	706,679	(76,836)	2,254,291	-	(186,807)	2,067,484
Deferred Inflows of Resources	101,326	89,854	-	191,180	-	-	191,180
Net Position							
Net investment in capital assets	506,226	295,120	-	801,346	72,675	-	874,021
Restricted - expendable for							
Capital acquisitions	-	3,506	-	3,506	-	-	3,506
Specific operating activities	-	-	-	-	356,793	-	356,793
Unrestricted	3,298,193	(136,598)	-	3,161,595	-	-	3,161,595
Total net position	3,804,419	162,028	-	3,966,447	429,468	-	4,395,915
Total liabilities, deferred inflows of resources and net position	\$ 5,530,193	\$ 958,561	\$ (76,836)	\$ 6,411,918	\$ 429,468	\$ (186,807)	\$ 6,654,579

The Beaver County Hospital Authority  
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information  
Year Ended June 30, 2018

	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 \$352,859	\$ 3,701,896	\$ 2,127,668	\$ -	\$ 5,829,564	\$ 67,646	\$ -	\$ 5,897,210
Community pharmacy revenue	1,512,700	-	-	1,512,700	-	-	1,512,700
Other	32,283	159,472	(51,679)	140,076	-	-	140,076
<b>Total operating revenues</b>	<b>5,246,879</b>	<b>2,287,140</b>	<b>(51,679)</b>	<b>7,482,340</b>	<b>67,646</b>	<b>-</b>	<b>7,549,986</b>
Operating Expenses							
Salaries and wages	2,254,908	1,543,140	-	3,798,048	113,910	-	3,911,958
Employee benefits	459,021	380,251	-	839,272	9,234	-	848,506
Purchased services and professional fees	703,000	144,294	-	847,294	3,977	-	851,271
Supplies and other	1,833,344	679,420	(51,679)	2,461,085	365,371	-	2,826,456
Deprecation	207,076	71,909	-	278,985	21,965	-	300,950
<b>Total operating expenses</b>	<b>5,457,349</b>	<b>2,819,014</b>	<b>(51,679)</b>	<b>8,224,684</b>	<b>514,457</b>	<b>-</b>	<b>8,739,141</b>
<b>Operating Loss</b>	<b>(210,470)</b>	<b>(531,874)</b>	<b>-</b>	<b>(742,344)</b>	<b>(446,811)</b>	<b>-</b>	<b>(1,189,155)</b>
Nonoperating Revenues (Expenses)							
County appropriations - unrestricted	(4,308)	363,576	-	359,268	-	-	359,268
County appropriations - restricted	64,540	-	-	64,540	441,284	-	505,824
Investment income	34,020	1,653	-	35,673	-	-	35,673
Noncapital grants and gifts	79,188	1,722	-	80,910	79,817	-	160,727
Interest expense	(176)	-	-	(176)	-	-	(176)
<b>Total nonoperating revenues</b>	<b>173,264</b>	<b>366,951</b>	<b>-</b>	<b>540,215</b>	<b>521,101</b>	<b>-</b>	<b>1,061,316</b>
<b>Change in Net Position</b>	<b>(37,206)</b>	<b>(164,923)</b>	<b>-</b>	<b>(202,129)</b>	<b>74,290</b>	<b>-</b>	<b>(127,839)</b>
<b>Net Position, Beginning of Year</b>	<b>3,841,625</b>	<b>326,951</b>	<b>-</b>	<b>4,168,576</b>	<b>355,178</b>	<b>-</b>	<b>4,523,754</b>
<b>Net Position, End of Year</b>	<b>\$ 3,804,419</b>	<b>\$ 162,028</b>	<b>\$ -</b>	<b>\$ 3,966,447</b>	<b>\$ 429,468</b>	<b>\$ -</b>	<b>\$ 4,395,915</b>

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The Beaver County Hospital Authority  
Combining Schedule – Statement of Net Position Information  
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	\$ 2,418,258	\$ 46,150	\$ -	\$ 2,464,408	\$ -	\$ -	\$ 2,464,408
Restricted cash and cash equivalents	287,976	3,471	-	291,447	-	-	291,447
Short-term certificates of deposit	199,508	50,000	-	249,508	-	-	249,508
Patient and resident receivables, net of estimated uncollectibles of \$292,000	612,249	169,692	-	781,941	-	-	781,941
Due from related parties	23,034	-	(23,034)	-	287,976	(287,976)	-
County appropriations receivable	53,154	46,989	-	100,143	-	-	100,143
Estimated amounts due from 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	287,976	(287,976)	4,502,093
Capital Assets							
Capital assets not being depreciated	33,231	12,000	-	45,231	7,500	-	52,731
Capital assets being depreciated	662,238	355,027	-	1,017,265	59,702	-	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	355,178	(287,976)	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	\$ 355,178	\$ (287,976)	\$ 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
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>							
<b>Current Liabilities</b>							
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	287,976	23,034	(23,034)	287,976	-	(287,976)	-
Accrued expense	258,893	172,678	-	431,571	-	-	431,571
Estimated amounts due to third-party payors	-	-	-	-	-	-	-
Total current liabilities	901,769	268,105	(23,034)	1,146,840	-	(287,976)	858,864
Net Pension Obligation	479,389	424,402	-	903,791	-	-	903,791
Total liabilities	1,381,158	692,507	(23,034)	2,050,631	-	(287,976)	1,762,655
Deferred Inflows of Resources	101,701	90,187	-	191,888	-	-	191,888
<b>Net Position</b>							
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	-	-	-	-	287,976	-	287,976
Unrestricted	3,163,145	(43,547)	-	3,119,598	-	-	3,119,598
Total net position	3,841,625	326,951	-	4,168,576	355,178	-	4,523,754
Total liabilities, deferred inflows of resources and net position	\$ 5,324,484	\$ 1,109,645	\$ (23,034)	\$ 6,411,095	\$ 355,178	\$ (287,976)	\$ 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	\$ 3,391,531	\$ 2,509,719	\$ -	\$ 5,901,250	149,881	\$ -	\$ 6,051,131
Community pharmacy revenue	1,827,448	-	-	1,827,448	-	-	1,827,448
Other	147,260	125,530	(53,055)	219,735	-	-	219,735
<b>Total operating revenues</b>	<b>5,366,239</b>	<b>2,635,249</b>	<b>(53,055)</b>	<b>7,948,433</b>	<b>149,881</b>	<b>-</b>	<b>8,098,314</b>
Operating Expenses							
Salaries and wages	2,093,009	1,620,176	-	3,713,185	121,481	-	3,834,666
Employee benefits	428,788	457,618	-	886,406	9,846	-	896,252
Purchased services and professional fees	732,049	52,674	-	784,723	19,632	-	804,355
Supplies and other	2,431,290	787,592	(53,055)	3,165,827	38,697	-	3,204,524
Depreciation	251,062	72,747	-	323,809	25,556	-	349,365
<b>Total operating expenses</b>	<b>5,936,198</b>	<b>2,990,807</b>	<b>(53,055)</b>	<b>8,873,950</b>	<b>215,212</b>	<b>-</b>	<b>9,089,162</b>
<b>Operating Loss</b>	<b>(569,959)</b>	<b>(355,558)</b>	<b>-</b>	<b>(925,517)</b>	<b>(65,331)</b>	<b>-</b>	<b>(990,848)</b>
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	107,232	788	-	108,020	8,289	-	116,309
Interest expense	(1,239)	-	-	(1,239)	-	-	(1,239)
<b>Total nonoperating revenues</b>	<b>385,307</b>	<b>204,038</b>	<b>-</b>	<b>589,345</b>	<b>310,429</b>	<b>-</b>	<b>899,774</b>
<b>Change in Net Position</b>	<b>(184,652)</b>	<b>(151,520)</b>	<b>-</b>	<b>(336,172)</b>	<b>245,098</b>	<b>-</b>	<b>(91,074)</b>
<b>Net Position, Beginning of Year</b>	<b>4,026,277</b>	<b>478,471</b>	<b>-</b>	<b>4,504,748</b>	<b>110,080</b>	<b>-</b>	<b>4,614,828</b>
<b>Net Position, End of Year</b>	<b>\$ 3,841,625</b>	<b>\$ 326,951</b>	<b>\$ -</b>	<b>\$ 4,168,576</b>	<b>\$ 355,178</b>	<b>\$ -</b>	<b>\$ 4,523,754</b>



**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, 2018, 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 13, 2019.

**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: 2018-A through 2018-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: 2018-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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
February 13, 2019

## **Findings – Financial Statements Audit – Internal Controls over Financial Reporting**

### **Material Weaknesses**

#### **2018-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.

#### **2018-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.

#### **2018-C            Bad Debt Allowance**

*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 at the end of 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 bad debt write-offs.

*Auditor's Recommendation:* We recommend that management develop an estimate based on historical collections and write-offs. The 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 ensure the bad debt calculation is working properly.

#### **2018-D            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.

### **Significant Deficiency**

#### **2017-E Cash Reconciliation Clearing Account**

*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 cash clearing account was not reconciled from a sub-ledger or other detail and support to the general ledger on a timely basis.

*Effect:* Misstatements are not identified and corrected in a timely manner.

*Cause:* The cash clearing account was not properly reconciled during the year.

*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 and to serve as an internal control over financial reporting. 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 are accurate.

*Views of Responsible Officials:* Management is currently working to determine the cause of variance.