

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
Auditor's Reports and Financial Statements  
June 30, 2014 and 2013





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**June 30, 2014 and 2013**

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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 basic financial statements of The Beaver County Hospital Authority (the Authority), a component unit of Beaver County, Oklahoma, which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

### ***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, 2014 and 2013, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not 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 Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**BKD, LLP**

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2014 and 2013**

***Introduction***

This management's discussion and analysis of the financial performance of The Beaver County Hospital Authority (the Authority) provides an overview of the Authority's financial activities for the years ended June 30, 2014 and 2013. It should be read in conjunction with the accompanying financial statements of the Authority.

***Financial Highlights***

- Cash and restricted cash increased in 2014 and 2013 by \$1,468,862 and \$503,039 or 113.2% and 63.3%, respectively.
- The Authority's net position increased in 2014 and 2013 by \$920,032 and \$1,829,322 or 19.5% and 63.3%, respectively.
- The Authority reported operating losses in 2014 and 2013 of \$(723,454) and \$(327,569), respectively. The operating loss in 2014 increased by \$395,885 or 120.9% over the operating loss reported in 2013. The operating loss in 2013 decreased by \$232,541 or 41.5% over the operating loss reported in 2012.
- Net nonoperating revenues decreased by \$549,766 or 25.5% in 2014 compared to 2013, and increased by \$446,603 or 26.1% in 2013 compared to 2012.

***Using This Annual Report***

The Authority's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, 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 Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that 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. The Authority’s total net position—the difference between assets and liabilities—is one measure of the Authority’s financial health or financial position. Over time, increases or decreases in the Authority’s net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Authority.

### ***The Statement of Cash Flows***

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from four defined types of 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 during the reporting period.

### ***The Authority’s Net Position***

The Authority’s net position is the difference between its assets and liabilities reported in the balance sheet. The Authority’s net position increased by \$920,032 or 19.5% in 2014 over 2013, and increased by \$1,829,322 or 63.3% in 2013 over 2012 as shown in Table 1.

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>			
Cash and restricted cash	\$ 2,766,620	\$ 1,297,758	\$ 794,719
Short-term certificates of deposit	249,500	249,500	249,500
Patient accounts receivable, net	1,380,157	1,989,038	1,139,239
Other current assets	1,084,011	928,819	663,094
Capital assets, net	<u>1,800,554</u>	<u>1,327,885</u>	<u>1,088,450</u>
Total assets	<u>\$ 7,280,842</u>	<u>\$ 5,793,000</u>	<u>\$ 3,935,002</u>
<b>Liabilities</b>			
Long-term debt, including current maturities	\$ 161,792	\$ 242,623	\$ 158,403
Other current liabilities	<u>1,478,551</u>	<u>829,910</u>	<u>885,454</u>
Total liabilities	<u>1,640,343</u>	<u>1,072,533</u>	<u>1,043,857</u>
<b>Net Position</b>			
Net investment in capital assets	1,059,426	1,072,005	863,921
Restricted – expendable for			
Capital acquisitions	1,824	9,481	7,038
Specific operating activities	531,760	327,497	235,700
Unrestricted	<u>4,047,489</u>	<u>3,311,484</u>	<u>1,784,486</u>
Total net position	<u>5,640,499</u>	<u>4,720,467</u>	<u>2,891,145</u>
Total liabilities and net position	<u>\$ 7,280,842</u>	<u>\$ 5,793,000</u>	<u>\$ 3,935,002</u>

In 2014, cash and restricted cash increased by \$1,468,862 or 113.2% due primarily to receipt of delayed patient accounts receivable for claims generated in 2013 but not paid until 2014.

Patient accounts receivable, net of allowances decreased by \$608,881 or 30.6% in 2014 compared to 2013. This decrease was primarily the result of delays in claims being processed by the Authority's new administrative contractor in 2013 and these claims being paid in 2014.

Capital assets, net of accumulated depreciation increased by \$472,669 or 35.6% in 2014 compared to 2013 and increased by \$239,435 or 22.0% in 2013 compared to 2012. The increase in capital assets for both years was primarily due to adding equipment for implementation of electronic health records (see Note 5).

Other current assets increased by \$155,192 or 16.7% in 2014 compared to 2013 primarily due to the receivable recorded by the Authority related to attesting for the first-year Medicare electronic health record meaningful use requirements. In 2013, other current assets increased by \$265,725 or 40.1% compared to 2012, primarily due to an increase in supplies, estimated amounts due from third-party payers and county appropriations receivable.

### **Operating Results and Changes in the Authority's Net Position**

In 2014, the Authority's net position increased by \$920,032 or 19.5% as shown in Table 2. This increase is made up of several different components and represents a decrease of \$909,290 compared with the increase in net position in 2013 of \$1,829,322.

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 5,667,283	\$ 5,344,900	\$ 4,511,628
Community pharmacy revenue	1,868,027	1,719,630	1,822,531
Other operating revenues	141,281	104,115	189,361
Total operating revenues	<u>7,676,591</u>	<u>7,168,645</u>	<u>6,523,520</u>
<b>Operating Expenses</b>			
Salaries and wages and employee benefits	4,140,889	3,886,486	3,430,254
Purchased services and professional fees	722,195	703,719	636,505
Other operating expenses	3,225,506	2,716,457	2,875,386
Depreciation	311,455	189,552	141,485
Total operating expenses	<u>8,400,045</u>	<u>7,496,214</u>	<u>7,083,630</u>
<b>Operating Loss</b>	<u>(723,454)</u>	<u>(327,569)</u>	<u>(560,110)</u>
<b>Nonoperating Revenues (Expenses)</b>			
County appropriations – unrestricted	1,262,082	1,777,273	1,365,458
County appropriations – restricted	294,672	295,446	249,353
Investment income	37,772	21,640	16,308
Noncapital grants and gifts	22,335	76,420	82,385
Interest expense	(9,736)	(13,888)	(3,216)
Total nonoperating revenues (expenses)	<u>1,607,125</u>	<u>2,156,891</u>	<u>1,710,288</u>
<b>Capital Gifts</b>	<u>36,361</u>	<u>-</u>	<u>336,325</u>
<b>Increase in Net Position</b>	<u>\$ 920,032</u>	<u>\$ 1,829,322</u>	<u>\$ 1,486,503</u>



## **Operating Losses**

The first component of the overall change in the Authority's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Authority has reported an operating loss. This is consistent with the Authority's recent operating history as the Authority was formed and is operated primarily to serve residents of Beaver County, Oklahoma, and the surrounding area. As discussed in *Note 1*, the Authority receives unrestricted support in the form of sales tax revenue from Beaver County to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2014 increased by \$395,885 or 120.9% as compared to 2013. The primary components of the increased operating loss are:

- An increase in net patient service revenue of \$322,383 or 6.0%
- An increase in salaries and wages and employee benefits of \$254,403 or 6.5%
- An increase in supplies and other expenses of \$514,549 or 19.0%

An increase in net patient service revenue was primarily due to the Authority attesting for and recognizing revenue of approximately \$560,000 for the first-year Medicare electronic health record (EHR) meaningful use while also recognizing final settlements on previous cost reporting years in excess of amounts previously estimated. The Authority did not recognize revenue in 2013 for EHR incentive programs.

Salaries and wages and employee benefits increased in 2014 in connection with the Authority's wage increases during 2014.

Expenditures for medical supplies, prescription drugs and other supplies are a major component of the Authority's costs. In 2014, medical supplies, prescription drugs and other supplies costs totaled \$3,225,506 or 38.4% of total operating expenses. In 2013, they totaled \$2,710,957 or 36.2% of total operating expenses. This represents an increase of \$514,549 or 19.0% over 2013. The major factor contributing to the increased medical supplies, prescription drugs and other supplies costs was due to entering a group purchasing arrangement for medical supplies and prescription drugs.

The operating loss for 2013 of \$327,569 was a decrease of \$232,541 or 41.5% from the operating loss recognized in 2012. The primary components of the decreased operating loss are:

- An increase in net patient service revenue of \$833,272 or 18.5% as a result of an increase in patient volumes and rates charged
- An increase in salaries and wages and employee benefits of \$457,637 or 16.6% as a result of increased wages and the result of hiring more employees instead of using contracted labor
- A decrease in supplies and other expenses of \$174,098 or 6.0% due primarily to the decrease in community pharmacy volumes

## **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of sales taxes levied by Beaver County, property taxes levied for emergency medical services and charity care and noncapital gifts and grants. Nonoperating revenue from property taxes and noncapital gifts remained relatively constant in 2014 as compared to 2013. The Authority recognized a decrease in its sales tax appropriations in 2014 compared to 2013 of \$515,191 or 29.0%.

### ***Capital Gifts***

The Authority receives both capital gifts and operating gifts/grants from various local, state and federal agencies for specific programs. In 2014, the Nursing Home recognized \$36,361 for meeting requirements of a grant from the State of Oklahoma to receive a van for transporting residents. No capital gifts were received in 2013.

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

Changes in the Authority's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2014 and 2013 and the changes in accounts receivable and estimated amounts due from third-party payers discussed earlier.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

At June 30, 2014 and 2013, the Authority had \$1,800,554 and \$1,327,885, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2014, the Authority purchased new capital assets costing \$784,124. Of this amount, \$615,697 was acquired through a payable to a third party assisting with the Authority's EHR implementation. In 2013, the Authority purchased new capital assets costing \$434,488. Of this amount, \$201,140 was acquired through incursion of a master lease agreement.

#### **Debt**

At June 30, 2014 and 2013, the Authority had \$161,792 and \$242,623, respectively, in notes payable and capital lease obligations outstanding as discussed in *Note 9* to the financial statements. No additional debt was incurred in 2014. As discussed earlier, the Authority incurred a master lease obligation in 2013 for the purchase of certain capital assets.

### ***Contacting the Authority's Financial Management***

This financial report is designed to provide the Authority's patients, suppliers, taxpayers 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 chief executive officer by telephoning 580.625.4551.

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Balance Sheets**  
**June 30, 2014 and 2013**

**Assets**

	<b>2014</b>	<b>2013</b>
<b>Current Assets</b>		
Cash	\$ 2,233,036	\$ 960,780
Restricted cash	533,584	336,978
Short-term certificates of deposit	249,500	249,500
Patient accounts receivable, net of allowance; 2014 – \$668,000, 2013 – \$629,000	1,380,157	1,989,038
County appropriations receivable	344,299	421,950
Estimated amounts due from third-party payers	263,141	70,000
Supplies	416,004	417,658
Prepaid expenses and other	60,567	19,211
Total current assets	5,480,288	4,465,115
<b>Capital Assets, Net</b>	<b>1,800,554</b>	<b>1,327,885</b>
Total assets	<b>\$ 7,280,842</b>	<b>\$ 5,793,000</b>

**Liabilities and Net Position**

<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 69,697	\$ 76,705
Accounts payable	929,367	247,908
Accrued expenses	549,184	582,002
Total current liabilities	1,548,248	906,615
<b>Long-Term Debt</b>	<b>92,095</b>	<b>165,918</b>
Total liabilities	1,640,343	1,072,533
<b>Net Position</b>		
Net investment in capital assets	1,059,426	1,072,005
Restricted – expendable for		
Capital acquisitions	1,824	9,481
Specific operating activities	531,760	327,497
Unrestricted	4,047,489	3,311,484
Total net position	5,640,499	4,720,467
Total liabilities and net position	<b>\$ 7,280,842</b>	<b>\$ 5,793,000</b>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2014 – \$360,590; 2013 – \$432,870	\$ 5,667,283	\$ 5,344,900
Community pharmacy revenue	1,868,027	1,719,630
Other	141,281	104,115
Total operating revenues	7,676,591	7,168,645
<b>Operating Expenses</b>		
Salaries and wages	3,406,867	3,213,902
Employee benefits	734,022	672,584
Purchased services and professional fees	722,195	703,719
Supplies and other	3,225,506	2,710,957
Depreciation	311,455	189,552
Loss on disposal of capital assets	-	5,500
Total operating expenses	8,400,045	7,496,214
<b>Operating Loss</b>	<b>(723,454)</b>	<b>(327,569)</b>
<b>Nonoperating Revenues (Expenses)</b>		
County appropriations – unrestricted	1,262,082	1,777,273
County appropriations – restricted	294,672	295,446
Investment income	37,772	21,640
Noncapital grants and gifts	22,335	76,420
Interest expense	(9,736)	(13,888)
Total nonoperating revenues (expenses)	1,607,125	2,156,891
<b>Excess of Revenues over Expenses Before Capital Gifts</b>	883,671	1,829,322
<b>Capital Gifts</b>	36,361	-
<b>Increase in Net Position</b>	920,032	1,829,322
<b>Net Position, Beginning of Year</b>	4,720,467	2,891,145
<b>Net Position, End of Year</b>	\$ 5,640,499	\$ 4,720,467

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 7,951,050	\$ 6,146,797
Payments to suppliers and contractors	(3,908,384)	(3,577,203)
Payments to employees	(4,173,707)	(3,844,125)
Other receipts and payments, net	141,281	104,115
Net cash provided by (used in) operating activities	10,240	(1,170,416)
<b>Noncapital Financing Activities</b>		
Noncapital grants and gifts	22,335	76,420
Interest paid on long-term debt	-	(700)
Principal paid on long-term debt	-	(5,492)
County appropriations received	1,634,405	1,992,419
Net cash provided by noncapital financing activities	1,656,740	2,062,647
<b>Capital and Related Financing Activities</b>		
Capital gifts	36,361	-
Interest paid on long-term debt	(9,736)	(13,188)
Principal paid on long-term debt	(80,831)	(111,428)
Purchase of capital assets	(181,684)	(286,216)
Net cash used in capital and related financing activities	(235,890)	(410,832)
<b>Investing Activities</b>		
Interest income received	37,772	21,640
Net cash provided by investing activities	37,772	21,640
<b>Increase in Cash</b>	1,468,862	503,039
<b>Cash, Beginning of Year</b>	1,297,758	794,719
<b>Cash, End of Year</b>	\$ 2,766,620	\$ 1,297,758

See Notes to Financial Statements

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Cash to the Balance Sheets</b>		
Cash	\$ 2,233,036	\$ 960,780
Restricted cash	<u>533,584</u>	<u>336,978</u>
	<u>\$ 2,766,620</u>	<u>\$ 1,297,758</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (723,454)	\$ (327,569)
Depreciation	311,455	189,552
Accrued self-insurance costs	(63,837)	(107,860)
Loss on disposal of capital assets	-	5,500
Provision for uncollectible accounts	360,590	432,870
Changes in operating assets and liabilities		
Patient accounts receivable, net	248,291	(1,282,669)
Supplies, prepaid expenses and other	(39,702)	(117,491)
Estimated amounts due from third-party payers	(193,141)	(67,934)
Accounts payable and accrued expenses	<u>110,038</u>	<u>105,185</u>
Net cash provided by (used in) operating activities	<u>\$ 10,240</u>	<u>\$ (1,170,416)</u>
<b>Supplemental Cash Flows Information</b>		
Capital asset acquisitions included in accounts payable	\$ 615,697	\$ 13,257
Capital lease obligations incurred for capital assets	\$ -	\$ 201,140

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

The Beaver County Hospital Authority (the Authority) was created under a trust indenture dated June 5, 1989, as a public trust under provisions of Title 60 of the Oklahoma Statutes for the benefit of the citizens of the town of Beaver, Oklahoma. The Authority is a component unit of Beaver County, Oklahoma (the County) as the County Commissioners of Beaver County have the authority to appoint members to the Authority's Board of Trustees.

The Authority, located in Beaver, Oklahoma, is comprised of Beaver County Memorial Hospital (the Hospital) and Beaver County Nursing Home (the Nursing Home), which are considered operating divisions of the Authority. The Hospital is a 24-bed critical access, Medicare-certified facility, and the Nursing Home is a 62-bed residential living facility. As part of the Hospital operations, the Authority also operates two rural health clinics located in Beaver and Turpin, Oklahoma, as well as a retail pharmacy located in the Hospital.

***Reporting Entity***

The accompanying financial statements present the Authority and its blended component unit, as the Authority is considered to be financially accountable for its operations. The blended component unit is, in substance, part of the Authority's operations, even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as funds of the Authority.

***Blended Component Unit***

Beaver County Emergency Medical Services (EMS) was organized as a public trust to provide emergency medical services and transportation services to the residents of the County. On July 8, 1991, the Authority and EMS entered into a contract whereby EMS authorized the Authority to operate and maintain the emergency medical services for the County. 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.

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

***Basis of Accounting and Presentation***

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Risk Management***

The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than workers' compensation. Settled claims have not exceeded this commercial coverage during any of the three preceding years.

The Authority is self-insured for a portion of its exposure to risk of loss from workers' compensation. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

***Investments and Investment Income***

Investments in non-negotiable certificates of deposit are carried at amortized cost.

Investment income includes interest income earned on certificates of deposit and interest-bearing bank accounts.



**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

***Patient Accounts Receivable***

The Authority reports patient accounts receivable for services rendered at net realizable amounts due from third-party payers, patients and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Land improvements	5–40 years
Buildings and improvements	5–40 years
Equipment	3–20 years

***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. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

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***Net Position***

Net position of the Authority is classified into three components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Authority, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Net Patient Service Revenue***

The Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

***Charity Care***

The Authority provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

***Income Taxes***

As an essential government function of the County, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Authority is subject to federal income tax on any unrelated business taxable income.

***County Appropriations***

Effective February 1, 2011, the citizens of the County approved a 1% sales tax with an expiration date of April 1, 2017, 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 earned. The Authority received approximately 14% and 20% of its financial support from county appropriations related to sales taxes during the years ended June 30, 2014 and 2013, respectively.

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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 3% of its financial support from ad valorem tax revenue during both years ended June 30, 2014 and 2013.

***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Critical access hospitals (CAH) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Authority's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Authority is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). The final amount for any payment year under both programs is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Authority has recognized the incentive payment revenue received for qualified EHR technology expenditures during 2014, which was the period during which management was reasonably assured meaningful use was achieved and the earnings process was complete. Management believes the incentive payments reflect a change in how "allowable costs" are determined in paying CAHs for providing services to Medicare beneficiaries. The Authority recorded revenue of \$562,162, which is included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position for the year ended 2014. No revenue was recognized in 2013 from EHR incentive programs.

The Authority plans to attest to meeting the requirements under the Medicare and Medicaid second-year programs during fiscal year 2015.

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***Supplemental Hospital Offset Payment Program***

On January 17, 2012, CMS approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP program is retroactive back to July 1, 2011, and is currently scheduled to sunset on December 31, 2017. The SHOPP program is designed to assess certain Oklahoma hospitals a supplemental hospital offset fee which will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation.

CAHs are excluded from paying an assessment fee but are still eligible to receive SHOPP funds. During the years ended June 30, 2014 and 2013, the Authority recognized approximately \$64,000 and \$31,000, respectively, of revenue related to the SHOPP program. Revenue recorded under the SHOPP is recorded as a part of net patient service revenue on the accompanying statements of revenues, expenses and changes in net position.

The annual amounts to be received by the Authority over the term of the SHOPP program are subject to change annually based on various factors involved in determining the amount of federal matching funds. Based on the current information available, the annual benefit to the Authority over the term of the SHOPP program is not expected to be materially different than the amounts received in 2014.

***Reclassifications***

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the changes in financial position.

**Note 2: Net Patient Service Revenue**

The Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2012.
- **Medicaid** – The Authority is reimbursed for services rendered to patients covered by the state Medicaid program at prospectively determined rates per discharge and fee schedules with no retroactive adjustments. Those payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

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Approximately 54% and 56% of the Authority’s net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2014 and 2013, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

The 2014 net patient service revenue decreased approximately \$294,000 due to final settlements in excess of amounts previously estimated.

**Note 3: Deposits and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it. The Authority’s deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires collateralization of all deposits with federal depository insurance or other acceptable collateral in specific amounts.

At June 30, 2014 and 2013, none of the Authority’s bank balances of approximately \$3,055,000 and \$1,551,000, respectively, were uninsured and uncollateralized.

***Summary of Carrying Values***

The carrying values of deposits shown above are included in the accompanying balance sheets as follows:

	<b>2014</b>	<b>2013</b>
Carrying value		
Deposits	\$ 3,016,120	\$ 1,547,258
Included in the following balance sheet captions		
Cash	\$ 2,233,036	\$ 960,780
Restricted cash	533,584	336,978
Short-term certificates of deposit	249,500	249,500
	\$ 3,016,120	\$ 1,547,258

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**Investment Income**

Investment income for the years ended June 30, 2014 and 2013, consisted of interest income.

**Note 4: Patient Accounts Receivable**

The Authority grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at June 30 consisted of:

	<u>2014</u>	<u>2013</u>
Medicare	\$ 1,064,240	\$ 1,757,226
Medicaid	75,252	90,609
Other third-party payers	212,263	183,325
Patients	<u>696,402</u>	<u>586,878</u>
	2,048,157	2,618,038
Less allowance for uncollectible amounts	<u>668,000</u>	<u>629,000</u>
	<u>\$ 1,380,157</u>	<u>\$ 1,989,038</u>

**Note 5: Capital Assets**

Capital assets activity for the years ended June 30 was:

	<u>2014</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 52,731	\$ -	\$ -	\$ -	52,731
Buildings and land improvements	2,583,972	29,735	-	-	2,613,707
Equipment	<u>1,892,778</u>	<u>754,389</u>	<u>-</u>	<u>-</u>	<u>2,647,167</u>
	<u>4,529,481</u>	<u>784,124</u>	<u>-</u>	<u>-</u>	<u>5,313,605</u>
Less accumulated depreciation					
Buildings and land improvements	2,205,134	55,849	-	-	2,260,983
Equipment	<u>996,462</u>	<u>255,606</u>	<u>-</u>	<u>-</u>	<u>1,252,068</u>
	<u>3,201,596</u>	<u>311,455</u>	<u>-</u>	<u>-</u>	<u>3,513,051</u>
Capital assets, net	<u>\$ 1,327,885</u>	<u>\$ 472,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800,554</u>

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	2013				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 52,731	\$ -	\$ -	\$ -	\$ 52,731
Buildings and land improvements	2,443,083	140,889	-	-	2,583,972
Equipment	1,868,630	293,599	(269,451)	-	1,892,778
	4,364,444	434,488	(269,451)	-	4,529,481
Less accumulated depreciation					
Buildings and land improvements	2,150,381	54,753	-	-	2,205,134
Equipment	1,125,613	134,799	(263,950)	-	996,462
	3,275,994	189,552	(263,950)	-	3,201,596
Capital assets, net	\$ 1,088,450	\$ 244,936	\$ (5,501)	\$ -	\$ 1,327,885

**Note 6: Accounts Payable and Accrued Expenses**

Accounts payable included in current liabilities at June 30, 2014 and 2013, consisted of approximately \$616,000 related to 2014 electronic health records-related capital assets and other items payable to suppliers and contractors, while accrued expenses included in current liabilities consisted of items payable to employees.

**Note 7: Workers' Compensation Claims**

The Authority is self-insured for costs associated with workers' compensation claims and purchases commercial insurance coverage for claims in excess of certain retention limits. As of June 30, 2014 and 2013, the Authority has commercial stop-loss insurance coverage for claims in excess of \$400,000 up to \$1,000,000 per occurrence. The Authority accrues the expense of the claim costs and plan administrative expense for actual claims and expenses incurred and estimates of claim costs which have been incurred but not yet reported based on recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Authority's estimate of losses will change by a material amount in the near term.

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Activity in the Authority's accrued workers' compensation claims liability during 2014 and 2013 is summarized below:

	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 73,000	\$ 181,000
Current year claims incurred and changes in estimates for claims incurred in prior years	47,988	(13,502)
Claims and expenses paid	(111,988)	(94,498)
Balance, end of year	\$ 9,000	\$ 73,000

The Oklahoma Workers' Compensation Court (OWCC) requires the Authority to post collateral for self-insured claims in the form of a line of credit with a bank in the event the Authority was unable to pay its claims. As of June 30, 2014 and 2013, the OWCC required the Authority to have collateral of \$300,000. As of the date of the Independent Auditor's Report, no amounts have been drawn on these lines of credit.

**Note 8: Medical Malpractice Claims**

The Authority was a member of Cimarron Insurance Exchange, RRG (Reciprocal Risk Retention Group) (Cimarron) approved by the state of Vermont to provide hospital professional and general liability coverage to its subscribers. Cimarron was formed in order to stabilize the cost and availability of hospital professional and general liability insurance by taking advantage of the self-funding capabilities of a homogenous group of health care providers. Cimarron members are provided hospital professional and general liability insurance under claims-made policies on a fixed premium basis. During 2012, Cimarron was redomiciled in Oklahoma and licensed by the Oklahoma Insurance Department to continue its operations as a risk retention group. Cimarron ceased operations as of December 31, 2013.

The Authority had obtained letters of credit totaling \$39,162 from a commercial bank to secure equity ownership in Cimarron in accordance with the subscriber agreement set forth between the Authority and Cimarron. As stated by the subscriber agreement, the beneficiary of the letters of credit is the Commissioner of Insurance of the State of Oklahoma. The commissioner has the authority to draw down on the letters of credit as needed to fund Cimarron. During 2014 and 2013, there were no draws on the letters of credit.

Beginning January 1, 2014, the Authority purchased medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Authority's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.



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**Note 9: Long-Term Debt**

The following is a summary of long-term debt transactions for the Authority for the years ended June 30:

	<b>2014</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Note payable to bank (B)	\$ 51,125	\$ -	\$ (19,991)	\$ 31,134	\$ 20,548
Capital lease obligations	49,397	-	(31,080)	18,317	18,317
Master lease agreement	142,101	-	(29,760)	112,341	30,832
	\$ 242,623	\$ -	\$ (80,831)	\$ 161,792	\$ 69,697

  

	<b>2013</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Note payable to bank (A)	\$ 5,492	\$ -	\$ (5,492)	\$ -	\$ -
Note payable to bank (B)	72,108	-	(20,983)	51,125	19,938
Capital lease obligations	80,803	-	(31,406)	49,397	29,607
Master lease agreement	-	201,140	(59,039)	142,101	27,160
	\$ 158,403	\$ 201,140	\$ (116,920)	\$ 242,623	\$ 76,705

**Notes Payable to Bank**

- (A) Note payable to bank due November 2012 was fully paid off in fiscal year 2013.
- (B) Note payable to bank due January 2016, with principal and interest payable monthly at 3.02%. The note is secured by certain equipment.

The debt service requirements for the notes payable to bank as of June 30, 2014, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 21,256	\$ 20,548	\$ 708
2016	10,703	10,586	117
	\$ 31,959	\$ 31,134	\$ 825

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**Capital Lease Obligations**

The Authority is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at June 30, 2014 and 2013, totaled \$87,034 and \$147,274, net of accumulated depreciation of \$39,733 and \$82,567, respectively. The following is a schedule by year of future minimum lease payments under capital lease, including interest ranging from 10.2% to 11.8%, together with the present value of the future minimum lease payments as of June 30, 2014:

Total minimum lease payments due in 2015	\$ 19,107
Less amount representing interest	<u>790</u>
Present value of future minimum lease payments	<u><u>\$ 18,317</u></u>

**Master Lease Obligation**

In 2013, the Authority borrowed \$201,140 under a master lease agreement to purchase equipment that is accounted for as a capital lease. Assets under the master lease obligation at June 30, 2014 and 2013, had total costs of \$201,140 and accumulated depreciation of approximately \$38,300 and \$9,600, respectively. The following is a schedule by year of future minimum lease payments under the master lease, including interest at a rate of 3.54%, together with the present value of the future minimum lease payments, as of June 30, 2014:

Year Ending June 30,	
2015	\$ 34,330
2016	34,330
2017	34,330
2018	<u>16,653</u>
Total minimum lease payments	119,643
Less amount representing interest	<u>7,302</u>
Present value of future minimum lease payments	<u><u>\$ 112,341</u></u>

**Note 10: Line of Credit**

The Authority had a \$450,000 revolving line of credit that expired in May 2013. In June 2013, the Authority renewed this revolving line of credit for the same amount which expired in May 2014. No amounts were drawn on this line of credit.

Subsequent to year-end, the Authority approved a resolution for obtaining a \$450,000 revolving line of credit. No amounts have been drawn on this line of credit.

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**Note 11: Restricted Net Position**

At December 31, 2014 and 2013, \$531,760 and \$327,947, respectively, of restricted expendable net position was available for the purpose of providing emergency medical services to the residents of Beaver County, Oklahoma.

**Note 12: Charity Care and Other Community Benefits**

In support of its mission, the Authority voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Authority provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and many times the payments are less than the cost of rendering the services provided.

Uncompensated costs relating to these services are approximately as follows:

	<b>2014</b>	<b>2013</b>
Charity allowances	\$ 12,000	\$ 52,000
Medicaid welfare	17,000	6,000
	\$ 29,000	\$ 58,000

The cost of uncompensated care is estimated by applying the ratio of costs to gross charges to the gross uncompensated charges. In addition to uncompensated costs, the Authority also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments and community educational services.

**Note 13: Contingencies**

***Litigation***

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's self-insurance program or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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**Note 14: Retirement Plan**

The Authority participates in the Oklahoma Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan established and administered by the State of Oklahoma, which also has the authority to amend the plan. Pension expense is recorded for the amount the Authority is contractually required to contribute for the year. OPERS covers substantially all state employees as well as employees of participating counties and local agencies. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5801 Broadway Extension, Suite 400, Oklahoma City, Oklahoma 73118-7484.

The retirement plan administered by OPERS is a defined benefit, contributory plan which covers participants with retirement, death and disability benefits. In 2014 and 2013, participating county and local agencies are required to contribute a total of 20.0% of employees' salaries, of which employees must contribute between 3.5%–8.5%. In 2014 and 2013, Authority employees contributed 8.5% of compensation, with the Authority contributing the remaining 11.5%. Contribution rates for participating county and local participants are set by the Oklahoma legislature.

In 2014 and 2013, contribution rates for plan members and the Authority expressed as a percentage of covered payroll were 8.5% and 11.5%, respectively. Contributions made by plan members approximated \$234,000 and \$212,000 for 2014 and 2013, respectively. The Authority contributed approximately \$317,000 and \$287,000 into the plan during 2014 and 2013, respectively.

**Note 15: Management Services Agreement**

In May 2011, the Authority entered into a financial services agreement with NewLight Healthcare, LLC for a period of one year with indefinite one-year renewals available until termination by either party. In May 2013, the agreement was automatically renewed for a period of one year. The Authority paid approximately \$55,000 and \$59,000 to NewLight Healthcare, LLC in 2014 and 2013, respectively.

**Note 16: Combining Component Unit Information**

As discussed in *Note 1*, the Authority consists of operations of the Hospital and the Nursing Home, which are operating divisions of the Authority. EMS is a component unit of the Authority.

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The following tables include combining balance sheet information for the Authority and its component unit as of June 30, 2014 and 2013.

	<b>June 30, 2014</b>			
	<b>The Beaver County Hospital Authority</b>	<b>Beaver County Emergency Medical Services</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 2,233,036	\$ -	\$ -	\$ 2,233,036
Restricted cash	533,584	-	-	533,584
Short-term certificates of deposit	249,500	-	-	249,500
Patient accounts receivable, net	1,380,157	-	-	1,380,157
County appropriations receivable	344,299	-	-	344,299
Due from related parties	-	531,760	(531,760)	-
Estimated amounts due from third-party payers	263,141	-	-	263,141
Other current assets	476,571	-	-	476,571
	5,480,288	531,760	(531,760)	5,480,288
<b>Total current assets</b>	<b>5,480,288</b>	<b>531,760</b>	<b>(531,760)</b>	<b>5,480,288</b>
<b>Capital Assets, Net</b>	<b>1,662,278</b>	<b>138,276</b>	<b>-</b>	<b>1,800,554</b>
<b>Total assets</b>	<b>\$ 7,142,566</b>	<b>\$ 670,036</b>	<b>\$ (531,760)</b>	<b>\$ 7,280,842</b>

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June 30, 2014

	<b>The Beaver County Hospital Authority</b>	<b>Beaver County Emergency Medical Services</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 49,149	\$ 20,548	\$ -	\$ 69,697
Accounts payable	929,367	-	-	929,367
Accrued expenses	549,184	-	-	549,184
Due to related parties	531,760	-	(531,760)	-
Total current liabilities	2,059,460	20,548	(531,760)	1,548,248
<b>Long-Term Debt</b>	81,509	10,586	-	92,095
Total liabilities	2,140,969	31,134	(531,760)	1,640,343
<b>Net Position</b>				
Net investment in capital assets	952,284	107,142	-	1,059,426
Restricted – expendable for				
Capital acquisitions	1,824	-	-	1,824
Specific operating activities	-	531,760	-	531,760
Unrestricted	4,047,489	-	-	4,047,489
Total net position	5,001,597	638,902	-	5,640,499
Total liabilities and net position	\$ 7,142,566	\$ 670,036	\$ (531,760)	\$ 7,280,842

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June 30, 2013

	<b>The Beaver County Hospital Authority</b>	<b>Beaver County Emergency Medical Services</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 960,780	\$ -	\$ -	\$ 960,780
Restricted cash	336,978	-	-	336,978
Short-term certificates of deposit	249,500	-	-	249,500
Patient accounts receivable, net	1,989,038	-	-	1,989,038
County appropriations receivable	421,950	-	-	421,950
Due from related parties	-	327,497	(327,497)	-
Estimated amounts due from third-party payers	70,000	-	-	70,000
Other current assets	436,869	-	-	436,869
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	4,465,115	327,497	(327,497)	4,465,115
<b>Capital Assets, Net</b>	<hr/> <b>1,118,423</b>	<hr/> <b>209,462</b>	<hr/> <b>-</b>	<hr/> <b>1,327,885</b>
Total assets	<hr/> <b>\$ 5,583,538</b>	<hr/> <b>\$ 536,959</b>	<hr/> <b>\$ (327,497)</b>	<hr/> <b>\$ 5,793,000</b>

**The Beaver County Hospital Authority**  
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June 30, 2013

	<b>The Beaver County Hospital Authority</b>	<b>Beaver County Emergency Medical Services</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 56,767	\$ 19,938	\$ -	\$ 76,705
Accounts payable	247,908	-	-	247,908
Accrued expenses	582,002	-	-	582,002
Due to related parties	327,497	-	(327,497)	-
Total current liabilities	1,214,174	19,938	(327,497)	906,615
<b>Long-Term Debt</b>	134,731	31,187	-	165,918
Total liabilities	1,348,905	51,125	(327,497)	1,072,533
<b>Net Position</b>				
Net investment in capital assets	913,668	158,337	-	1,072,005
Restricted – expendable for				
Capital acquisitions	9,481	-	-	9,481
Specific operating activities	-	327,497	-	327,497
Unrestricted	3,311,484	-	-	3,311,484
Total net position	4,234,633	485,834	-	4,720,467
Total liabilities and net position	<u>\$ 5,583,538</u>	<u>\$ 536,959</u>	<u>\$ (327,497)</u>	<u>\$ 5,793,000</u>



**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

The following tables include combining statements of revenues, expenses and changes in net position for the Authority and its component unit for the years ended June 30, 2014 and 2013.

	<b>Year Ended June 30, 2014</b>			<b>Combined Balance</b>
	<b>The Beaver County Hospital Authority</b>	<b>Beaver County Emergency Medical Services</b>	<b>Eliminations</b>	
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts	\$ 5,667,283	\$ -	\$ -	\$ 5,667,283
Community pharmacy revenue	1,868,027	-	-	1,868,027
Other	178,450	-	(37,169)	141,281
Total operating revenues	<u>7,713,760</u>	<u>-</u>	<u>(37,169)</u>	<u>7,676,591</u>
<b>Operating Expenses</b>				
Salaries and wages and employee benefits	4,140,889	-	-	4,140,889
Purchased services and professional fees	722,195	37,169	(37,169)	722,195
Supplies and other	3,225,506	-	-	3,225,506
Depreciation	241,496	69,959	-	311,455
Total operating expenses	<u>8,330,086</u>	<u>107,128</u>	<u>(37,169)</u>	<u>8,400,045</u>
<b>Operating Loss</b>	<u>(616,326)</u>	<u>(107,128)</u>	<u>-</u>	<u>(723,454)</u>
<b>Nonoperating Revenues (Expenses)</b>				
County appropriations – unrestricted	1,262,082	-	-	1,262,082
County appropriations – restricted	33,157	261,515	-	294,672
Investment income	37,772	-	-	37,772
Noncapital grants and gifts	22,335	-	-	22,335
Interest expense	(8,417)	(1,319)	-	(9,736)
Total nonoperating revenues (expenses)	<u>1,346,929</u>	<u>260,196</u>	<u>-</u>	<u>1,607,125</u>
<b>Excess of Revenues over Expenses Before Capital Gifts</b>	730,603	153,068	-	883,671
<b>Capital Gifts</b>	<u>36,361</u>	<u>-</u>	<u>-</u>	<u>36,361</u>
<b>Increase in Net Position</b>	766,964	153,068	-	920,032
<b>Net Position, Beginning of Year</b>	<u>4,234,633</u>	<u>485,834</u>	<u>-</u>	<u>4,720,467</u>
<b>Net Position, End of Year</b>	<u>\$ 5,001,597</u>	<u>\$ 638,902</u>	<u>\$ -</u>	<u>\$ 5,640,499</u>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

	Year Ended June 30, 2013			Combined Balance
	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts	\$ 5,344,900	\$ -	\$ -	\$ 5,344,900
Community pharmacy revenue	1,719,630	-	-	1,719,630
Other	223,115	-	(119,000)	104,115
Total operating revenues	<u>7,287,645</u>	<u>-</u>	<u>(119,000)</u>	<u>7,168,645</u>
<b>Operating Expenses</b>				
Salaries and wages and employee benefits	3,886,486	-	-	3,886,486
Purchased services and professional fees	703,719	119,000	(119,000)	703,719
Supplies and other	2,710,957	-	-	2,710,957
Depreciation	117,040	72,512	-	189,552
Loss on disposal of capital assets	5,500	-	-	5,500
Total operating expenses	<u>7,423,702</u>	<u>191,512</u>	<u>(119,000)</u>	<u>7,496,214</u>
<b>Operating Loss</b>	<u>(136,057)</u>	<u>(191,512)</u>	<u>-</u>	<u>(327,569)</u>
<b>Nonoperating Revenues (Expenses)</b>				
County appropriations – unrestricted	1,777,273	-	-	1,777,273
County appropriations – restricted	32,737	262,709	-	295,446
Investment income	21,640	-	-	21,640
Noncapital grants and gifts	76,420	-	-	76,420
Interest expense	(11,951)	(1,937)	-	(13,888)
Total nonoperating revenues (expenses)	<u>1,896,119</u>	<u>260,772</u>	<u>-</u>	<u>2,156,891</u>
<b>Excess of Revenues over Expenses and Increase in Net Position</b>	1,760,062	69,260	-	1,829,322
<b>Net Position, Beginning of Year</b>	<u>2,474,571</u>	<u>416,574</u>	<u>-</u>	<u>2,891,145</u>
<b>Net Position, End of Year</b>	<u>\$ 4,234,633</u>	<u>\$ 485,834</u>	<u>\$ -</u>	<u>\$ 4,720,467</u>

**The Beaver County Hospital Authority**  
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**Notes to Financial Statements**  
**June 30, 2014 and 2013**

The following tables include condensed combining statements of cash flows information for the Authority and its component unit for the years ended June 30, 2014 and 2013.

	<b>Year Ended June 30, 2014</b>			
	<b>The Beaver County Hospital Authority</b>	<b>Beaver County Emergency Medical Services</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ 251,672	\$ (241,432)	\$ -	\$ 10,240
<b>Net Cash Provided by Noncapital Financing Activities</b>	1,395,317	261,423	-	1,656,740
<b>Net Cash Used in Capital and Related Financing Activities</b>	(215,899)	(19,991)	-	(235,890)
<b>Net Cash Provided by Investing Activities</b>	<u>37,772</u>	<u>-</u>	<u>-</u>	<u>37,772</u>
<b>Increase in Cash</b>	1,468,862	-	-	1,468,862
<b>Cash, Beginning of Year</b>	<u>1,297,758</u>	<u>-</u>	<u>-</u>	<u>1,297,758</u>
<b>Cash, End of Year</b>	<u><u>\$ 2,766,620</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,766,620</u></u>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

	Year Ended June 30, 2013			
	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Balance
Net Cash Used in Operating Activities	\$ (959,619)	\$ (210,797)	\$ -	\$ (1,170,416)
Net Cash Provided by Noncapital Financing Activities	1,820,921	241,726	-	2,062,647
Net Cash Used in Capital and Related Financing Activities	(379,903)	(30,929)	-	(410,832)
Net Cash Provided by Investing Activities	21,640	-	-	21,640
Increase in Cash	503,039	-	-	503,039
Cash, Beginning of Year	794,719	-	-	794,719
Cash, End of Year	<u>\$ 1,297,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,297,758</u>

**Note 17: Patient Protection and Affordable Care Act**

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

**The Beaver County Hospital Authority**  
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The state of Oklahoma has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Authority's reduced revenue from other Medicare/Medicaid programs.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible it will have a negative impact on the Authority's net patient service revenue. In addition, it is possible the Authority will experience payment delays and other operational challenges during PPACA's implementation.

**Note 18: Future Changes in Accounting Principles**

Governmental Accounting Standards Board (GASB) recently issued its Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB No. 68 requires recognition of the long-term obligation for pension benefits as a liability for the first time and more comprehensive and comparable measurements of the annual costs of pension benefits. The Authority expects to first apply GASB No. 68 during the year ending June 30, 2015, using a retrospective recognition method. The impact of applying GASB No. 68 has not been determined but is likely to reduce the Authority's net position by an amount estimated to be between \$1,565,000 and \$1,800,000.

## **Other Information**

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Combining Schedule – Balance Sheet Information**  
**June 30, 2014**

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
<b>Assets</b>							
<b>Current Assets</b>							
Cash	\$ 1,870,687	\$ 362,349	\$ -	\$ 2,233,036	\$ -	\$ -	\$ 2,233,036
Restricted cash	531,760	1,824	-	533,584	-	-	533,584
Short-term certificates of deposit	199,500	50,000	-	249,500	-	-	249,500
Patient accounts receivable, net of allowance; \$668,000	1,279,857	100,300	-	1,380,157	-	-	1,380,157
Related-party receivable	16,699	-	(16,699)	-	531,760	(531,760)	-
County appropriations receivable	172,478	171,821	-	344,299	-	-	344,299
Estimated amounts due from third-party payers	263,141	-	-	263,141	-	-	263,141
Supplies	397,158	18,846	-	416,004	-	-	416,004
Prepaid expenses and other	24,812	35,755	-	60,567	-	-	60,567
Total current assets	4,756,092	740,895	(16,699)	5,480,288	531,760	(531,760)	5,480,288
<b>Capital Assets, Net</b>	1,253,998	408,280	-	1,662,278	138,276	-	1,800,554
Total assets	<u>\$ 6,010,090</u>	<u>\$ 1,149,175</u>	<u>\$ (16,699)</u>	<u>\$ 7,142,566</u>	<u>\$ 670,036</u>	<u>\$ (531,760)</u>	<u>\$ 7,280,842</u>
<b>Liabilities and Net Position</b>							
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ 49,149	\$ -	\$ -	\$ 49,149	\$ 20,548	\$ -	\$ 69,697
Accounts payable	844,155	85,212	-	929,367	-	-	929,367
Related-party payable	531,760	16,699	(16,699)	531,760	-	(531,760)	-
Accrued expenses	300,306	248,878	-	549,184	-	-	549,184
Total current liabilities	1,725,370	350,789	(16,699)	2,059,460	20,548	(531,760)	1,548,248
<b>Long-Term Debt</b>	81,509	-	-	81,509	10,586	-	92,095
Total liabilities	1,806,879	350,789	(16,699)	2,140,969	31,134	(531,760)	1,640,343
<b>Net Position</b>							
Net investment in capital assets	507,643	444,641	-	952,284	107,142	-	1,059,426
Restricted – expendable for							
Capital acquisitions	-	1,824	-	1,824	-	-	1,824
Specific operating activities	-	-	-	-	531,760	-	531,760
Unrestricted	3,695,568	351,921	-	4,047,489	-	-	4,047,489
Total net position	4,203,211	798,386	-	5,001,597	638,902	-	5,640,499
Total liabilities and net position	<u>\$ 6,010,090</u>	<u>\$ 1,149,175</u>	<u>\$ (16,699)</u>	<u>\$ 7,142,566</u>	<u>\$ 670,036</u>	<u>\$ (531,760)</u>	<u>\$ 7,280,842</u>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Combining Schedule – Balance Sheet Information**  
**June 30, 2013**

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
<b>Assets</b>							
<b>Current Assets</b>							
Cash	\$ 393,663	\$ 567,117	\$ -	\$ 960,780	\$ -	\$ -	\$ 960,780
Restricted cash	327,497	9,481	-	336,978	-	-	336,978
Short-term certificates of deposit	199,500	50,000	-	249,500	-	-	249,500
Patient accounts receivable, net of allowance; \$629,000	1,861,314	127,724	-	1,989,038	-	-	1,989,038
Related-party receivable	13,541	-	(13,541)	-	327,497	(327,497)	-
County appropriations receivable	295,562	126,388	-	421,950	-	-	421,950
Estimated amounts due from third-party payers	70,000	-	-	70,000	-	-	70,000
Supplies	393,808	23,850	-	417,658	-	-	417,658
Prepaid expenses and other	18,939	4,760	(4,488)	19,211	-	-	19,211
Total current assets	<u>3,573,824</u>	<u>909,320</u>	<u>(18,029)</u>	<u>4,465,115</u>	<u>327,497</u>	<u>(327,497)</u>	<u>4,465,115</u>
<b>Capital Assets, Net</b>	<u>666,364</u>	<u>452,059</u>	<u>-</u>	<u>1,118,423</u>	<u>209,462</u>	<u>-</u>	<u>1,327,885</u>
Total assets	<u>\$ 4,240,188</u>	<u>\$ 1,361,379</u>	<u>\$ (18,029)</u>	<u>\$ 5,583,538</u>	<u>\$ 536,959</u>	<u>\$ (327,497)</u>	<u>\$ 5,793,000</u>
<b>Liabilities and Net Position</b>							
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ 56,767	\$ -	\$ -	\$ 56,767	\$ 19,938	\$ -	\$ 76,705
Accounts payable	201,923	50,473	(4,488)	247,908	-	-	247,908
Related-party payable	327,497	13,541	(13,541)	327,497	-	(327,497)	-
Accrued expenses	359,498	222,504	-	582,002	-	-	582,002
Total current liabilities	<u>945,685</u>	<u>286,518</u>	<u>(18,029)</u>	<u>1,214,174</u>	<u>19,938</u>	<u>(327,497)</u>	<u>906,615</u>
<b>Long-Term Debt</b>	<u>134,731</u>	<u>-</u>	<u>-</u>	<u>134,731</u>	<u>31,187</u>	<u>-</u>	<u>165,918</u>
Total liabilities	<u>1,080,416</u>	<u>286,518</u>	<u>(18,029)</u>	<u>1,348,905</u>	<u>51,125</u>	<u>(327,497)</u>	<u>1,072,533</u>
<b>Net Position</b>							
Net investment in capital assets	461,609	452,059	-	913,668	158,337	-	1,072,005
Restricted – expendable for							
Capital acquisitions	-	9,481	-	9,481	-	-	9,481
Specific operating activities	-	-	-	-	327,497	-	327,497
Unrestricted	2,698,163	613,321	-	3,311,484	-	-	3,311,484
Total net position	<u>3,159,772</u>	<u>1,074,861</u>	<u>-</u>	<u>4,234,633</u>	<u>485,834</u>	<u>-</u>	<u>4,720,467</u>
Total liabilities and net position	<u>\$ 4,240,188</u>	<u>\$ 1,361,379</u>	<u>\$ (18,029)</u>	<u>\$ 5,583,538</u>	<u>\$ 536,959</u>	<u>\$ (327,497)</u>	<u>\$ 5,793,000</u>



**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Combining Schedule – Statement of Revenues, Expenses and**  
**Changes in Net Position Information**  
**Year Ended June 30, 2014**

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
<b>Operating Revenues</b>							
Net patient service revenue, net of provision for uncollectible accounts; \$360,590	\$ 4,017,933	\$ 1,649,350	\$ -	\$ 5,667,283	\$ -	\$ -	\$ 5,667,283
Community pharmacy revenue	1,868,027	-	-	1,868,027	-	-	1,868,027
Other	55,263	123,187	-	178,450	-	(37,169)	141,281
Total operating revenues	<u>5,941,223</u>	<u>1,772,537</u>	<u>-</u>	<u>7,713,760</u>	<u>-</u>	<u>(37,169)</u>	<u>7,676,591</u>
<b>Operating Expenses</b>							
Salaries and wages	1,994,999	1,411,868	-	3,406,867	-	-	3,406,867
Employee benefits	472,402	261,620	-	734,022	-	-	734,022
Purchased services and professional fees	678,259	43,936	-	722,195	37,169	(37,169)	722,195
Supplies and other	2,420,933	804,573	-	3,225,506	-	-	3,225,506
Depreciation	196,745	44,751	-	241,496	69,959	-	311,455
Total operating expenses	<u>5,763,338</u>	<u>2,566,748</u>	<u>-</u>	<u>8,330,086</u>	<u>107,128</u>	<u>(37,169)</u>	<u>8,400,045</u>
<b>Operating Income (Loss)</b>	<u>177,885</u>	<u>(794,211)</u>	<u>-</u>	<u>(616,326)</u>	<u>(107,128)</u>	<u>-</u>	<u>(723,454)</u>
<b>Nonoperating Revenues (Expenses)</b>							
County appropriations – unrestricted	790,242	471,840	-	1,262,082	-	-	1,262,082
County appropriations – restricted	33,157	-	-	33,157	261,515	-	294,672
Investment income	32,981	4,791	-	37,772	-	-	37,772
Noncapital grants and gifts	17,591	4,744	-	22,335	-	-	22,335
Interest expense	(8,417)	-	-	(8,417)	(1,319)	-	(9,736)
Total nonoperating revenues (expenses)	<u>865,554</u>	<u>481,375</u>	<u>-</u>	<u>1,346,929</u>	<u>260,196</u>	<u>-</u>	<u>1,607,125</u>
<b>Excess (Deficiency) of Revenues over Expenses Before Capital Gifts</b>	<u>1,043,439</u>	<u>(312,836)</u>	<u>-</u>	<u>730,603</u>	<u>153,068</u>	<u>-</u>	<u>883,671</u>
<b>Capital Gifts</b>	<u>-</u>	<u>36,361</u>	<u>-</u>	<u>36,361</u>	<u>-</u>	<u>-</u>	<u>36,361</u>
<b>Increase (Decrease) in Net Position</b>	<u>1,043,439</u>	<u>(276,475)</u>	<u>-</u>	<u>766,964</u>	<u>153,068</u>	<u>-</u>	<u>920,032</u>
<b>Net Position, Beginning of Year</b>	<u>3,159,772</u>	<u>1,074,861</u>	<u>-</u>	<u>4,234,633</u>	<u>485,834</u>	<u>-</u>	<u>4,720,467</u>
<b>Net Position, End of Year</b>	<u>\$ 4,203,211</u>	<u>\$ 798,386</u>	<u>\$ -</u>	<u>\$ 5,001,597</u>	<u>\$ 638,902</u>	<u>\$ -</u>	<u>\$ 5,640,499</u>

**The Beaver County Hospital Authority**  
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**Changes in Net Position Information**  
**Year Ended June 30, 2013**

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
<b>Operating Revenues</b>							
Net patient service revenue, net of provision for uncollectible accounts; \$432,870	\$ 3,593,267	\$ 1,751,633	\$ -	\$ 5,344,900	\$ -	\$ -	\$ 5,344,900
Community pharmacy revenue	1,719,630	-	-	1,719,630	-	-	1,719,630
Other	127,202	100,401	(4,488)	223,115	-	(119,000)	104,115
Total operating revenues	<u>5,440,099</u>	<u>1,852,034</u>	<u>(4,488)</u>	<u>7,287,645</u>	<u>-</u>	<u>(119,000)</u>	<u>7,168,645</u>
<b>Operating Expenses</b>							
Salaries and wages	1,937,825	1,276,077	-	3,213,902	-	-	3,213,902
Employee benefits	452,259	220,325	-	672,584	-	-	672,584
Purchased services and professional fees	668,241	35,478	-	703,719	119,000	(119,000)	703,719
Supplies and other	2,023,815	691,630	(4,488)	2,710,957	-	-	2,710,957
Depreciation	73,030	44,010	-	117,040	72,512	-	189,552
Loss on disposal of capital assets	49	5,451	-	5,500	-	-	5,500
Total operating expenses	<u>5,155,219</u>	<u>2,272,971</u>	<u>(4,488)</u>	<u>7,423,702</u>	<u>191,512</u>	<u>(119,000)</u>	<u>7,496,214</u>
<b>Operating Income (Loss)</b>	<u>284,880</u>	<u>(420,937)</u>	<u>-</u>	<u>(136,057)</u>	<u>(191,512)</u>	<u>-</u>	<u>(327,569)</u>
<b>Nonoperating Revenues (Expenses)</b>							
County appropriations – unrestricted	1,244,056	533,217	-	1,777,273	-	-	1,777,273
County appropriations – restricted	32,737	-	-	32,737	262,709	-	295,446
Investment income	12,334	9,306	-	21,640	-	-	21,640
Noncapital grants and gifts	74,788	1,632	-	76,420	-	-	76,420
Interest expense	(11,951)	-	-	(11,951)	(1,937)	-	(13,888)
Total nonoperating revenues (expenses)	<u>1,351,964</u>	<u>544,155</u>	<u>-</u>	<u>1,896,119</u>	<u>260,772</u>	<u>-</u>	<u>2,156,891</u>
<b>Excess of Revenues over Expenses and Increase in Net Position</b>	<u>1,636,844</u>	<u>123,218</u>	<u>-</u>	<u>1,760,062</u>	<u>69,260</u>	<u>-</u>	<u>1,829,322</u>
<b>Net Position, Beginning of Year</b>	<u>1,522,928</u>	<u>951,643</u>	<u>-</u>	<u>2,474,571</u>	<u>416,574</u>	<u>-</u>	<u>2,891,145</u>
<b>Net Position, End of Year</b>	<u>\$ 3,159,772</u>	<u>\$ 1,074,861</u>	<u>\$ -</u>	<u>\$ 4,234,633</u>	<u>\$ 485,834</u>	<u>\$ -</u>	<u>\$ 4,720,467</u>

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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 basic financial statements of The Beaver County Hospital Authority (the Authority), which comprise the balance sheet as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated May 28, 2015.

***Internal Control over Financial Reporting***

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2014-01 through 2014-09 to be material weaknesses.

Board of Trustees  
The Beaver County Hospital Authority

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Authority's Responses to the 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.

We also noted certain matters that we reported to the Authority's management in a separate letter dated May 28, 2015.

### ***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.

**BKD, LLP**

Tulsa, Oklahoma  
May 28, 2015

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-1	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control to provide accurate recording and classification of accounting transactions.</p> <p>Condition – The Authority does not have a process by which accounts payable are accrued on a monthly basis.</p> <p>Context – Management does not record accounts payable on a monthly basis.</p> <p>Effect – Month-end and unaudited year-end financial statements are misstated by a potentially material amount.</p> <p>Cause – Management typically completes a check run once a month based on all the accumulated invoices received as of the check run date. Historically, check runs are completed in the middle of each month. The checks are then back-dated to the prior month in an attempt to recognize expenses in the time period the services were provided. These back-dated checks are then included in cash reconciliations as outstanding checks when the prior month cash reconciliation is completed as opposed to being recorded in accounts payable.</p> <p>Recommendation – Management should consider implementing procedures to ensure accounts payable are recorded on a monthly basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested actions and make any changes deemed appropriate within the next year.</p>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-2	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Reconciliation processes surrounding cash accounts are inadequate.</p> <p>Context – The monthly bank reconciliation process did not result in the timely identification of reconciling items.</p> <p>Effect – Errors or misappropriations could occur and not be prevented or detected and result in material misappropriations of assets or material errors in financial statements.</p> <p>Cause – Bank reconciliations prepared during the year did not properly reflect outstanding checks at each month-end due primarily to the process the Authority uses to record accounts payable. This process meant that the bank reconciliations did not reflect the actual cash balances at month-end.</p> <p>Recommendation – Management should ensure monthly bank reconciliations are used to identify errors in the accounting records and make any required entries to correct errors.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and will implement the recommended changes to the bank reconciliation processes.</p>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-3	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – One employee’s duties are not adequately segregated among access, recording and monitoring functions in all of the accounting transactions cycles.</p> <p>Context – The hospital business office manager has access rights allowing this individual to perform nearly all user activities in the accounting system and also has access to assets and reconciling responsibilities.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the accounting transactions cycles are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or the addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost-beneficial within the next year.</p>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-4	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – One employee’s duties are not adequately segregated among access, recording and monitoring functions in the purchases, cash disbursements and accounts payable transactions cycle (outflows) and in the revenue, cash receipts and accounts receivable transactions cycle (inflows).</p> <p>Context – The nursing home office manager has access rights allowing this individual to perform nearly all user activities in the accounting system related to the outflows and inflows transactions cycles and also has access to assets and reconciling responsibilities.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the outflows and inflows transactions cycles are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or the addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost-beneficial within the next year.</p>



**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-5	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – One employee’s duties are not adequately segregated among access, accounting and monitoring functions in the payroll transactions cycle.</p> <p>Context – The chief executive officer has access rights allowing this individual to create a new employee, prepare payroll to submit to the payroll processor and perform recording and monitoring duties.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the payroll transactions cycle are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or the addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost-beneficial within the next year.</p>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-6	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – One employee’s duties are not adequately segregated among access, recording and monitoring functions in the revenue, cash receipts and accounts receivable transactions cycle.</p> <p>Context – The hospital office manager has access rights allowing this individual to receive and post payments to patient accounts, prepare cash receipts listings and perform most recording and monitoring duties.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the revenue, cash receipts and accounts receivable transactions cycle are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or the addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost-beneficial within the next year.</p>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-7	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control to provide accurate recording and classification of accounting transactions.</p> <p>Condition – Several adjusting journal entries were required to correct material misstatements in the accompanying financial statements.</p> <p>Context – Errors existed in several balance sheet accounts related to errors in reconciliations and control accounts not reconciling to supporting documentation.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – The reconciliation processes in place were not sufficient to properly state balances, including accounts and appropriations receivable, inventory, capital assets and accrued liabilities.</p> <p>Recommendation – Management should ensure its month-end close process includes a comparison of the general ledger accounts to the underlying supporting documents.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and will perform the evaluation and implement corrections that are considered cost-effective within the next year.</p>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-8	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over significant allowances and estimates in the financial statements.</p> <p>Condition – Management’s procedures for evaluating and recording significant allowances and estimates do not produce materially accurate results.</p> <p>Context – Management does not have a process that allows for consistent, unbiased methodologies to estimate significant balances on the financial statements.</p> <p>Effect – Material journal entries were made to the general ledger to correct misstatements identified related to estimated allowances for contractual adjustments and uncollectible accounts on patient accounts receivable related to both the Hospital and the clinics.</p> <p>Cause – Management is not applying consistent or accurate methodologies to estimate balances in these areas.</p> <p>Recommendation – Management should periodically evaluate the methodologies used to estimate significant allowances and estimates in the financial statements to determine that methodologies used to prepare estimates are still appropriate when compared to actual data.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to periodically evaluate the methodologies used in accurately estimating the balances.</p>

**The Beaver County Hospital Authority**  
**A Component Unit of Beaver County, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>
2014-9	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining the accounting records for Beaver County Emergency Medical Services (EMS), a blended component unit of the Authority.</p> <p>Condition – Management’s procedures for maintaining accurate accrual accounting records are not functioning properly.</p> <p>Context – Management does not maintain accounting records for EMS separate from the Hospital’s accounting records.</p> <p>Effect – Material adjustments were made to EMS’ records to present combining information and schedules as required by the Governmental Accounting Standards Board.</p> <p>Cause – Management is not applying consistent policies to maintain separate accounting records for EMS.</p> <p>Recommendation – Management should consider separating EMS’ accounting records completely from the Hospital’s accounting records or including EMS as a separate company within the Hospital’s accounting records.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to maintain separate records for EMS.</p>