The Comanche County Hospital Authority

Accountants' Reports and Financial Statements

June 30, 2011 and 2010

BKD LLP
CPAs & Advisors

The Comanche County Hospital Authority

June 30, 2011 and 2010

Contents

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

We have audited the accompanying balance sheets of The Comanche County Hospital Authority (the Authority) as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Comanche County Hospital Authority as of June 30, 2011 and 2010, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 28, 2011, 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and pension and postretirement health plan information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, including the combining schedules, is presented for purposes of additional analysis of the basic financial statements rather than to present the financial position and change in financial position of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

November 28, 2011

The Comanche County Hospital Authority

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

Introduction

This management's discussion and analysis of the financial performance of The Comanche County Hospital Authority (the Authority) provides an overview of the Authority's financial activities for the years ended June 30, 2011 and 2010. It should be read in conjunction with the accompanying financial statements of the Authority. Unless otherwise indicated, dollar amounts are in thousands.

As described in *Note 1* to the financial statements, the Authority's financial statements include the operations of Comanche County Memorial Hospital (CCMH), McMahon-Tomlinson Nursing Center (MTNC), Tillman County – City of Frederick Hospital Authority (Tillman) and Lawton Community Health Center (LCHC).

Financial Highlights

- The Authority's net assets increased in each of the past three years with a $4,268 or 5.8% increase in 2011, an $89 or 0.1% increase in 2010 and a $4,782 or 6.9% increase in 2009.
- The Authority reported operating income of $7,506, $2,724 and $7,945 in 2011, 2010 and 2009, respectively.
- During 2011 and 2010, the Authority acquired capital assets costing $14,286 and $16,801, respectively.

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 assets; 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 Assets

One of the most important questions asked about any health care 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 assets 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 assets and changes in them. The Authority's total net assets—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 assets 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 and cash equivalents 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 and cash equivalents during the reporting period.

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the balance sheet. The Authority's net assets increased by $4,268 (5.8%) in 2011 over 2010 and by $89 (0.1%) in 2010 over 2009 as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2011	2010	2009
Assets			
Cash, cash equivalents and unrestricted investments	$ 42,341	$ 41,388	$ 40,097
Patient accounts receivable, net	29,476	31,431	31,639
Other current assets	21,463	20,432	18,899
Capital assets, net	88,434	84,123	86,951
Other noncurrent assets	11,060	11,356	11,329
Total assets	$ 192,774	$ 188,730	$ 188,915
Liabilities			
Long-term debt	$ 71,220	$ 74,698	$ 74,516
Other liabilities	43,417	40,163	40,619
Total liabilities	114,637	114,861	115,135
Net Assets			
Invested in capital assets, net of related debt	12,610	5,430	7,609
Restricted expendable	6,323	6,091	6,075
Unrestricted	59,204	62,348	60,096
Total net assets	78,137	73,869	73,780
Total liabilities and net assets	$ 192,774	$ 188,730	$ 188,915

In 2011, patient accounts receivable decreased by $1,955 (6.2%) as compared to 2010. This decrease is due primarily to improvements in collection procedures and resulted in a decrease in days net patient service revenue in net patient accounts receivable to 50 days in 2011 from 56 days in 2010.

Operating Results and Changes in the Authority's Net Assets

In 2011, the Authority's net assets increased by $4,268 (5.8%) as shown in Table 2. This compares to an increase in net assets in 2010 of $89 (0.1%) and an increase in 2009 of $4,782 (6.9%).

Table 2: Operating Results and Changes in Net Assets

	2011	2010	2009
Operating Revenues			
Net patient service revenue	$ 213,833	$ 202,532	$ 195,811
Other operating revenues	4,674	4,176	3,734
Total operating revenues	218,507	206,708	199,545
Operating Expenses			
Salaries and wages and employee benefits	106,254	107,004	101,844
Purchased services and professional fees	42,382	34,810	31,335
Medical supplies and drugs	36,566	37,094	36,602
Depreciation and amortization	10,182	9,722	10,185
Other operating expenses	15,617	15,354	11,634
Total operating expenses	211,001	203,984	191,600
Operating Income	7,506	2,724	7,945
Nonoperating Revenues (Expenses)			
City appropriations – unrestricted	230	293	223
Noncapital grants and gifts	850	633	341
Loss on investment in equity investee	(953)	(1,257)	(1,485)
Investment income	532	697	1,362
Interest expense	(3,982)	(4,333)	(4,082)
Total nonoperating revenues (expenses)	(3,323)	(3,967)	(3,641)
Capital Grants and Gifts	85	1,332	478
Increase in Net Assets	$ 4,268	$ 89	$ 4,782

Operating Income

The operating income for 2011 increased by $4,782 (175.5%) compared to the 2010 amount. The primary components of the increase in operating income are:

- An increase in net patient service revenue of $11,301 (5.6%)
- An increase in purchased services and professional fees of $7,572 (21.8%)

Net patient service revenue increased as a result of increased utilization of medical oncology services provided at CCMH in 2011 as compared to 2010. The medical oncology services were provided under arrangement with Cancer Centers of Southwest Oklahoma, LLC (CCSO), a related party, which is the primary reason for the increase in purchased services and professional fees.

The operating income for 2010 decreased by $5,221 (65.7%) compared to the 2009 amount. The primary components of the decrease in operating income are:

- An increase in net patient service revenue of $6,721 (3.4%)
- An increase in operating expenses of $12,384 (6.5%), the primary components of which are:
  - An increase in salaries and wages and employee benefits of $5,160 (5.1%)
  - An increase in purchased services and professional fees of $3,475 (11.1%)
  - A decrease in gain on sale of capital assets of $3,677 (89.1%)

Net patient service revenue increased primarily as a result of increased utilization of medical oncology services at CCMH and availability of additional staffed beds.

Salaries and wages and employee benefits increased as a result of increases in the Authority's self-insured health plan costs, increased retirement plan expense and increased life insurance premiums.

Purchased services and professional fees increased primarily due to increased purchased services under arrangement with CCSO.

The 2010 decrease in gain on sale of capital assets is due primarily to the sale of CCMH's radiation oncology department to CCSO during fiscal 2009.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and interest expense. The Authority's total debt exceeds cash and investments, and interest rates on debt exceed interest rates earned. As a result, interest expense exceeds investment income. In 2011, investment income decreased from the 2010 amount by $165 (23.7%) due primarily to lower interest rates earned.

The Authority's Cash Flows

Changes in the Authority's cash flows are generally consistent with changes in operating income and nonoperating revenues and expenses, except that:

- In 2011, cash provided by operations increased due to improved collections on patient accounts receivable.
- In 2010, cash provided by operations increased due to the net effect of significant decreases in other accounts receivable and increases in accounts payable and accrued expenses.

Capital Asset and Debt Administration

Capital Assets

At the end of 2011, the Authority had $88,434 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2011, the Authority acquired capital assets costing $14,286.

At the end of 2010, the Authority had $84,123 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2010, the Authority acquired capital assets costing $16,801, including $6,716 related to construction of a cancer treatment facility. During 2010, the Authority sold the constructed cancer treatment facility costing $10,369 to CCSO.

Debt

At June 30, 2011 and 2010, the Authority had $78,170 and $81,003, respectively, in revenue bonds, revenue refunding notes, notes payable and capital lease obligations outstanding. During 2010, the Authority drew $5,788 on a bank note payable to finance the construction of a cancer treatment facility for CCSO. In 2011 and 2010, the Authority incurred $4,000 and $7,320, respectively, of capital leases for equipment.

Other Economic Factors

The Base Realignment and Closure Commission's 2005 report included plans to move 3,700 military and civilian jobs plus support contracts to Fort Sill. The population of Comanche County began to grow in 2008 and had a population of 124,000 in 2010 based upon the U.S. census data. This is an 8% growth over the 2000 U.S. census data.

Fort Sill began construction of housing and buildings to accommodate the additional expected personnel. This construction and the housing and infrastructure in the community have increased construction jobs in the Lawton area. The community is planning $40,000,000 in infrastructure and adding housing for 3,000 families. The City of Lawton developed a TIF district to revitalize the downtown area. Lawton has seen growing sales tax receipts as a result of this construction and the added jobs in the community.

In the last three years, Lawton has seen the addition of three hotels, an automobile dealership and three national restaurant chains. During that time, Comanche County has also seen the creation of more than 5,000 jobs.

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 Comanche County Memorial Hospital Administration by telephoning 580.355.8620.

The Comanche County Hospital Authority

Balance Sheets

June 30, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	$ 16,759,079	$ 18,163,675
Short-term investments	6,417,393	11,844,310
Restricted cash and investments – current	9,597,109	8,643,779
Patient accounts receivable, net of allowance; 2011 – $33,324,000, 2010 – $35,738,000	29,475,833	31,430,924
Accrued investment income	148,127	164,766
Due from related parties	3,600,144	3,487,258
Other receivables	242,613	174,346
Supplies	5,077,712	5,272,912
Prepaid expenses and other	2,797,042	2,688,629
Total current assets	74,115,052	81,870,599
Noncurrent Cash and Investments		
Held by trustee for debt service	10,349,661	10,212,174
Held in escrow for equipment purchases	4,652,265	3,896,837
	15,001,926	14,109,011
Less amount required to meet current obligations	9,597,109	8,643,779
	5,404,817	5,465,232
Other long-term investments	19,164,675	11,380,083
	24,569,492	16,845,315
Capital Assets, Net	88,434,199	84,122,860
Other Assets		
Deferred financing costs	1,588,818	1,813,825
Investment in joint venture	2,804,477	2,568,932
Other	1,261,975	1,508,002
	5,655,270	5,890,759
Total assets	$ 192,774,013	$ 188,729,533

See Notes to Financial Statements

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Current maturities of long-term debt	$ 6,949,820	$ 6,304,335
Accounts payable	13,814,734	15,367,634
Accrued expenses	9,179,758	9,208,712
Accrued interest payable	1,828,893	1,922,984
Due to related parties	5,136,733	2,012,285
Estimated amounts due to third-party payers	2,000,105	705,373
Total current liabilities	38,910,043	35,521,323
Long-term Debt	71,220,384	74,698,362
Long-term Net Pension Obligation	2,463,467	2,783,895
Long-term Compensated Absences Obligation	2,043,594	1,857,259
Total liabilities	114,637,488	114,860,839
Net Assets		
Invested in capital assets, net of related debt	12,610,259	5,430,370
Restricted – expendable for debt service	6,322,656	6,091,112
Unrestricted	59,203,610	62,347,212
Total net assets	78,136,525	73,868,694
Total liabilities and net assets	$ 192,774,013	$ 188,729,533

The Comanche County Hospital Authority

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2011 – $42,015,000, 2010 – $39,831,000	$ 213,832,535	$ 202,532,214
Grant revenue	639,703	614,196
Other	4,035,149	3,561,317
Total operating revenues	218,507,387	206,707,727
Operating Expenses		
Salaries and wages	89,538,396	88,176,915
Employee benefits	16,715,791	18,826,791
Purchased services and professional fees	42,381,800	34,809,927
Medical supplies and drugs	36,565,771	37,094,113
Supplies and other	14,042,437	13,912,942
Insurance	1,557,500	1,887,722
Depreciation and amortization	10,181,739	9,722,071
Gain (loss) on sale of capital assets	18,336	(447,072)
Total operating expenses	211,001,770	203,983,409
Operating Income	7,505,617	2,724,318
Nonoperating Revenues (Expenses)		
City appropriations – unrestricted	229,795	293,493
Noncapital grants and gifts	849,723	632,757
Loss on investment in equity investee	(953,085)	(1,257,067)
Investment income	531,574	696,673
Interest expense	(3,980,793)	(4,333,327)
Total nonoperating revenues (expenses)	(3,322,786)	(3,967,471)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	4,182,831	(1,243,153)
Capital Grants and Gifts	85,000	1,331,663
Increase in Net Assets	4,267,831	88,510
Net Assets, Beginning of Year	73,868,694	73,780,184
Net Assets, End of Year	$ 78,136,525	$ 73,868,694

The Comanche County Hospital Authority
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Receipts from and on behalf of patients	$ 217,716,919	$ 203,133,881
Payments to suppliers and contractors	(93,347,160)	(86,394,336)
Payments to or on behalf of employees	(106,096,806)	(106,662,666)
Other receipts and payments, net	4,076,439	4,979,069
Net cash provided by operating activities	22,349,392	15,055,948
Noncapital Financing Activities		
Noncapital grants and gifts	849,723	632,757
City appropriations received	230,138	291,836
Net cash provided by noncapital financing activities	1,079,861	924,593
Capital and Related Financing Activities		
Capital grants and gifts	85,000	1,331,663
Principal paid on long-term debt	(6,832,493)	(13,978,133)
Interest paid on long-term debt	(4,208,748)	(4,512,701)
Proceeds from issuance of long-term debt	4,000,000	12,886,789
Purchase of capital assets	(14,039,006)	(16,327,702)
Proceeds from sale of capital assets	52,405	10,589,514
Net cash used in capital and related financing activities	(20,942,842)	(10,010,570)
Investing Activities		
Interest on investments	969,307	1,167,592
Purchase of investments	(17,269,274)	(14,434,467)
Proceeds from disposition of investments	14,490,505	18,287,286
Contributions to equity investee	(1,188,630)	(1,600,079)
Net cash provided by (used in) investing activities	(2,998,092)	3,420,332
Increase (Decrease) in Cash and Cash Equivalents	(511,681)	9,390,303
Cash and Cash Equivalents, Beginning of Year	30,071,396	20,681,093
Cash and Cash Equivalents, End of Year	$ 29,559,715	$ 30,071,396

See Notes to Financial Statements

	2011	2010
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 16,759,079	$ 18,163,675
Cash and cash equivalents in noncurrent cash and investments		
Held by trustee for debt service	8,148,371	8,010,884
Held in escrow for equipment purchases	4,652,265	3,896,837
	$ 29,559,715	$ 30,071,396
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 7,505,617	$ 2,724,318
Depreciation and amortization	10,181,739	9,722,071
Gain (loss) on sale of capital assets	18,336	(447,072)
Changes in assets and liabilities		
Patient and other accounts receivable, net	1,926,749	2,082,079
Supplies and prepaid expenses	64,843	(80,276)
Estimated amount due to (from) third-party payer	1,294,732	(816,068)
Accounts payable and accrued expenses	1,205,327	1,693,908
Other assets and liabilities	152,049	176,988
Net cash provided by operating activities	$ 22,349,392	$ 15,055,948
Supplemental Disclosures of Cash Flows Information		
Capital asset acquisitions included in accounts payable	$ 90,579	$ 204,068
Capital assets acquired through capital leases	$ -	$ 221,039
Loss on investment in equity investee	$ 953,085	$ 1,257,067

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2011 and 2010

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

Nature of Operations and Reporting Entity

The Comanche County Hospital Authority (the Authority), a public trust, was created on January 13, 1971, by the Board of Commissioners of Comanche County, Oklahoma, to operate, control and manage all matters concerning Comanche County Memorial Hospital (CCMH), McMahon-Tomlinson Nursing Center (MTNC) and the trust estate. The Board of Commissioners of Comanche County, Oklahoma, appoints the members of the Authority's Board of Trustees.

On January 13, 1971, an indenture of lease was entered into between Comanche County (the Lessor) and the trustees of the Authority (the Lessee) leasing to the Authority all hospital and nursing center sites, equipment and facilities owned and subsequently constructed or acquired by the Lessor or under its custody, management or control. The initial term of the lease was for a period of 30 years and so long thereafter as any indebtedness incurred by the Lessee and secured by the revenues of any of the leased property remains unpaid. In addition, the lease agreement provided the Authority certain renewal options. Consideration for the lease is the installation and construction of improvements to the leased property for the purpose of aiding the Lessor in the performance of its public functions. In July 2000, the Authority exercised an option to renew the lease for an additional 30-year period ending in January 2031.

CCMH primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in southwestern Oklahoma. CCMH also operates a rehabilitation unit, a skilled nursing unit, a psychiatric unit, outpatient clinics, a home health agency and an ambulance service in the same geographic area.

MTNC earns revenues by providing intermediate nursing care services in a 135-bed nursing facility in Lawton, Oklahoma.

Effective September 1, 1993, the Authority entered into a sublease agreement with the Tillman County – City of Frederick Hospital Authority (Tillman) to take over full use, operations, administration and management of Tillman's hospital and nursing center facilities. The term of the sublease is for a period of 20 years with a renewal option for an additional 20 years. The Authority's consideration to Tillman under the sublease is the Authority's guarantee of Tillman's Series 1994B Bonds through December 2003 and Tillman's revenue refunding note subsequent to that date (*Note 8*). Tillman primarily earns revenues by operating a 48-bed short-term hospital, a 30-bed nursing center, a home health agency and a physician clinic in Frederick, Oklahoma.

On September 1, 2007, the Authority was awarded a grant by the Health Resources and Services Administration of the U.S. Department of Health and Human Services to partially fund the operations and activities of the Lawton Community Health Center (LCHC), a federally qualified health center. LCHC is jointly governed by the Authority and Lawton Community Health Center, Inc., a not-for-profit organization.

Under accounting principles generally accepted in the United States of America, the accompanying financial statements of the Authority are comprised of CCMH, MTNC and LCHC, which are considered operating divisions of the Authority, and Tillman, which is a blended component unit of the Authority. All transactions and accounts between CCMH, MTNC, LCHC and Tillman have been eliminated in the accompanying financial statements.

CCMH, MTNC and Tillman each issue separate financial statements reporting financial position, revenues, expenses and changes in net assets and cash flows. These financial statements are publicly available and may be obtained by writing the Authority's administrative office at 3401 West Gore Boulevard, Lawton, Oklahoma 73505, or by calling 580.355.8620.

Basis of Accounting and Presentation

The accompanying 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. Operating revenues and expenses include exchange transactions. Government-mandated, nonexchange transactions that are not program specific (such as city appropriations), investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

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.

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, cash equivalents consisted of money market mutual funds.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

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 employee health, dental, short-term disability and workers' compensation claims as described below. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Authority is self-insured for a portion of exposure to risk of loss from unemployment, employee health, dental and short-term disability claims. CCMH, LCHC and MTNC are also self-insured for a portion of exposure to risk of loss from workers' compensation claims. 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.

Tillman obtains workers' compensation insurance through membership in the Oklahoma Health Care Association (the Association), which was formed for the benefit of qualified Oklahoma hospitals and related entities who wish to pool their resources pursuant to the provisions of Section 149.1 of Title 85 of the Oklahoma Statutes and Rule 3 of the Administrator of Oklahoma Workers' Compensation Court. Each member of the Association has jointly and severally agreed to assume, pay and discharge any liability under the Oklahoma Workers' Compensation Act of any and all members of the Association.

Investments and Investment Income

All investments are carried at fair value, which is determined using quoted market prices. Investment income includes dividend and interest income and the net change for the year in the fair value of investments.

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts 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. The Authority bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

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	5–20 years
Buildings, improvements and fixed equipment	5–50 years
Major moveable equipment	3–10 years

The Authority capitalizes interest costs as a component of construction in progress based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

	2011	2010
Interest costs capitalized	$ 133,864	$ 138,744
Interest costs charged to expense	3,980,793	4,333,327
Total interest incurred	$ 4,114,657	$ 4,472,071

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized using the interest method over the term of the respective debt.

Compensated Absences

Authority policies permit most employees to accumulate paid days off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay 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. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in long-term compensated absences obligation.

Net Assets

Net assets of the Authority are classified in three components. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Authority, including amounts deposited with trustees as required by revenue bond indentures reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining net assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

Net Patient Service Revenue

CCMH, MTNC, LCHC and Tillman have agreements with third-party payers that provide for payments at amounts different from their established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive 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, the amounts are not reported as net patient service revenue.

Income Taxes

The Authority is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law as a political subdivision of the state of Oklahoma. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Foundation

CCMH is the beneficiary of Comanche County Memorial Hospital Foundation, Inc. (the Foundation), a separate legal entity with its own board of trustees. The Foundation has legal title to all of the Foundation’s assets. The Foundation is not a component unit of the Authority and, thus, not reflected in the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue and Grant Revenue

Net Patient Service Revenue

CCMH, MTNC, LCHC and Tillman have agreements with third-party payers that provide for payments to them at amounts different from their established rates. Those payment arrangements include:

- **Medicare** – Substantially all inpatient acute care services and outpatient services rendered to Medicare program beneficiaries, including physician clinic services, are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. CCMH, LCHC and Tillman are reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare administrative contractor.

- **Medicaid** – CCMH, MTNC, LCHC and Tillman have also been paid for services rendered to patients covered by the state Medicaid program. CCMH and Tillman are reimbursed on a prospective basis at prospectively determined rates per discharge and fee schedules with no retroactive adjustment. MTNC is reimbursed for services to residents who are Medicaid beneficiaries at prospectively determined per-diem rates with no retroactive adjustment. LCHC is reimbursed for services provided to Medicaid beneficiaries at prospectively determined rates with no retroactive adjustment.

Approximately 57% and 58% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2011 and 2010, 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.

CCMH, LCHC and Tillman have also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The bases for payment under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The 2011 net patient service revenue decreased by approximately $1,500,000 due to estimated financial settlements on prior year Medicare cost reports in excess of amounts previously estimated.

Grant Revenue

The Authority is the recipient of a Community Health Center (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care service delivery in Lawton, Oklahoma, and surrounding areas. Terms of the grant generally provide for funding of LCHC's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2011 and 2010, the Authority received $639,703 and $614,196, respectively, in CHC grant funds.

Note 3: Deposits, Investments 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 and other acceptable collateral in specific amounts.

The Authority's bank balances of $24,007,662 and $27,843,359 were exposed to custodial credit risk as follows:

	2011	2010
Uninsured and uncollateralized	$ -	$ 8,383,736

Investments

The Authority has investment policies related to its investment portfolio. These policies do not apply to investments held under trustee agreements related to bond indentures.

At June 30, 2011 and 2010, the Authority had the following investments and maturities:

		June 30, 2011			
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Mortgage- and asset-backed securities of U.S. agencies	$ 23,382,068	$ 5,117,393	$ 18,264,675	$ -	$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Money market mutual funds	9,239,467	9,239,467	-	-	-
	34,822,825	$ 14,356,860	$ 18,264,675	$ -	$ 2,201,290
Accrued investment income	148,127				
	$ 34,970,952				

		June 30, 2010			
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Mortgage- and asset-backed securities of U.S. agencies	$ 20,024,393	$ 8,744,310	$ 11,280,083	$ -	$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Money market mutual funds	12,630,298	12,630,298	-	-	-
	34,855,981	$ 21,374,608	$ 11,280,083	$ -	$ 2,201,290
Accrued investment income	164,766				
	$ 35,020,747				

- **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the sale of securities on the open market prior to maturity and directly investing in securities maturing more than five years from the date of purchase. The Authority has also adopted weighted-average limitations not to exceed three years. The repurchase agreement is held by trustee under a bond indenture and matures in July 2031 and has a fixed interest rate of 5.75%. The money market mutual funds are presented as investments with maturities of less than one year because they are redeemable in full immediately.

- **Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to limit its investments to securities with a Standard & Poor's (S & P) credit rating of AAA or Moody's credit rating of Aaa. U.S. Treasury obligations, U.S. government agency and instrumentality obligations, repurchase agreements, certificates of deposit and money market mutual funds are acceptable security types under the Authority's investment policy. At June 30, 2011 and 2010, the Authority's investments that were not direct obligations of or explicitly guaranteed by the U.S. government were rated as follows:

	2011		2010	
Type	**Moody's**	**S & P**	**Moody's**	**S & P**
Mortgage- and asset-backed securities of U.S. agencies	Aaa	AAA	Aaa	AAA
Repurchase agreement	A to Aaa	A to AAA	A to Aaa	A to AAA
Money market mutual funds	Aaa	AAA	Aaa	AAA

- **Custodial Credit Risk** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2011 and 2010, the Authority's investments in mortgage- and asset-backed securities of U.S. agencies are held by the counterparties in other than the Authority's name. All of the underlying securities for the Authority's investment in a repurchase agreement at June 30, 2011 and 2010, are held by the counterparties in other than the Authority's name.

- **Concentration of Credit Risk** – The Authority limits the types of securities purchased to U.S. Treasury obligations, U.S. government agency and instrumentality obligations, repurchase agreements, guaranteed investment contracts, bank certificates of deposit fully insured by the FDIC and money market mutual funds. The Authority's investment policies do not place a limit on the amount that may be invested in any one issuer.

At June 30, 2011, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal Home Loan Mortgage Corporation	$ 11,446,817	32.7%
Federal National Mortgage Association	$ 6,375,523	18.2%
Federal Home Loan Bank	$ 4,342,127	12.4%
First Union National Bank repurchase agreement	$ 2,201,290	6.3%

At June 30, 2010, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal National Mortgage Association	$ 8,504,219	24.3%
Federal Home Loan Mortgage Corporation	$ 7,615,220	21.7%
Federal Home Loan Bank	$ 3,904,954	11.2%
First Union National Bank repurchase agreement	$ 2,201,290	6.3%

Summary of Carrying Values

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

	2011	2010
Carrying value		
Deposits	$ 22,520,246	$ 20,641,098
Investments	34,970,954	35,020,747
	$ 57,491,200	$ 55,661,845
Included in the following balance sheet captions		
Cash and cash equivalents	$ 16,759,079	$ 18,163,675
Short-term investments	6,417,393	11,844,310
Restricted cash and investments – current	9,597,109	8,643,779
Noncurrent cash and investments	24,569,492	16,845,315
Accrued investment income	148,127	164,766
	$ 57,491,200	$ 55,661,845

Investment Income

Investment income for the years ended June 30, 2011 and 2010, consisted of:

	2011	2010
Interest	$ 949,475	$ 1,068,683
Net decrease in fair value of investments	(417,901)	(372,010)
	$ 531,574	$ 696,673

Note 4: Patient Accounts Receivable

The Authority grants credit without collateral to its patients, most of whom are southwestern Oklahoma residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2011 and 2010, consisted of:

	2011	2010
Medicare	$ 10,805,645	$ 11,265,749
Medicaid	4,590,304	5,144,695
Other third-party payers	12,258,255	12,505,840
Patients	35,145,629	38,252,640
	62,799,833	67,168,924
Less allowance for uncollectible accounts	33,324,000	35,738,000
	$ 29,475,833	$ 31,430,924

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010, was:

	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 2,529,395	$ 71,288	$ -	$ -	$ 2,600,683
Land improvements	8,092,766	38,486	-	36,315	8,167,567
Buildings, improvements and fixed equipment	125,506,908	59,277	-	1,586,863	127,153,048
Major moveable equipment	88,975,773	5,698,706	(373,589)	6,433,400	100,734,290
Construction in progress	6,981,903	8,418,602	-	(8,056,578)	7,343,927
	232,086,745	14,286,359	(373,589)	-	245,999,515
Less accumulated depreciation					
Land improvements	4,996,434	267,651	-	-	5,264,085
Buildings, improvements and fixed equipment	75,495,651	3,620,224	-	-	79,115,875
Major moveable equipment	67,471,800	6,016,404	(302,848)	-	73,185,356
	147,963,885	9,904,279	(302,848)	-	157,565,316
Capital assets, net	$ 84,122,860	$ 4,382,080	$ (70,741)	$ -	$ 88,434,199

	2010				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 2,367,855	$ 161,540	$ -	$ -	$ 2,529,395
Land improvements	8,073,622	-	-	19,144	8,092,766
Buildings, improvements and fixed equipment	125,294,146	119,218	(10,369,103)	10,462,647	125,506,908
Major moveable equipment	85,047,758	4,624,994	(1,898,875)	1,201,896	88,975,773
Construction in progress	6,770,368	11,895,222	-	(11,683,687)	6,981,903
	227,553,749	16,800,974	(12,267,978)	-	232,086,745
Less accumulated depreciation					
Land improvements	4,727,627	268,807	-	-	4,996,434
Buildings, improvements and fixed equipment	71,785,895	3,950,577	(240,821)	-	75,495,651
Major moveable equipment	64,090,362	5,266,153	(1,884,715)	-	67,471,800
	140,603,884	9,485,537	(2,125,536)	-	147,963,885
Capital assets, net	$ 86,949,865	$ 7,315,437	$ (10,142,442)	$ -	$ 84,122,860

Note 6: Medical Malpractice Claims

The Authority purchases medical malpractice insurance for hospital, physician and nursing facility services under a claims-made policy on a fixed premium basis. Because the Authority is a political subdivision of the county of Comanche, Oklahoma, management believes the limit of liability for any individual tort claim not covered by insurance would be limited to $125,000.

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 costs of such incidents. In 2011 and 2010, the Authority accrued approximately $400,000 and $405,000, respectively, based on its claims experience for these claims. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Self-Insured Claims

The Authority sponsors short-term disability and health and dental care plans for its employees and a workers' compensation plan for the employees of CCMH, MTNC and LCHC. These plans are self-insured to the extent of the deductible amounts under the excess risk insurance policies which have been obtained. These self-insured amounts are currently as follows:

- Workers' Compensation – first $250,000 per accident
- Health and Dental Care – first $250,000 per person per year

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2011 and 2010

A provision is accrued for self-insured workers' compensation, short-term disability and health and dental care claim costs, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Authority's estimates will change by a material amount in the near term.

Activity in the Authority's accrued liability for self-insured plans during the years ended June 30, 2011 and 2010, is summarized as follows:

	Year Ended June 30, 2011		
	Employee Health and Dental Benefits	Short-Term Disability	Workers' Compensation
Balance, beginning of year	$ 1,024,350	$ 104,953	$ 474,814
Current year claims and changes in estimates	6,397,991	64,421	1,137,370
Claim payments, net of reinsurance	(6,526,444)	(28,504)	(809,479)
Balance, end of year	$ 895,897	$ 140,870	$ 802,705

	Year Ended June 30, 2010		
	Employee Health and Dental Benefits	Short-Term Disability	Workers' Compensation
Balance, beginning of year	$ 838,579	$ 44,496	$ 664,490
Current year claims and changes in estimates	6,672,162	319,073	719,798
Claim payments, net of reinsurance	(6,486,391)	(258,616)	(909,474)
Balance, end of year	$ 1,024,350	$ 104,953	$ 474,814

Note 8: Long-Term Debt and Other Long-Term Obligations

Long-Term Debt

The following is a summary of long-term debt transactions for the Authority for the years ended June 30, 2011 and 2010:

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Series 2005 Revenue Bonds	$ 32,970,000	$ -	$ -	$ 32,970,000	$ -
Series 2004 Revenue Bonds	9,100,000	-	(2,115,000)	6,985,000	2,215,000
Series 2000B Revenue Bonds	25,220,000	-	(560,000)	24,660,000	590,000
Revenue Refunding Note	935,000	-	(255,000)	680,000	265,000
Notes payable to bank	1,514,606	-	(242,626)	1,271,980	254,854
Note payable to Comanche County Industrial Development Authority	470,615	-	(133,450)	337,165	-
Capital lease obligations	10,792,476	4,000,000	(3,526,417)	11,266,059	3,624,966
	$ 81,002,697	$ 4,000,000	$ (6,832,493)	$ 78,170,204	$ 6,949,820

	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Series 2005 Revenue Bonds	$ 32,970,000	$ -	$ -	$ 32,970,000	$ -
Series 2004 Revenue Bonds	11,120,000	-	(2,020,000)	9,100,000	2,115,000
Series 2000B Revenue Bonds	25,750,000	-	(530,000)	25,220,000	560,000
Revenue Refunding Note	1,180,000	-	(245,000)	935,000	255,000
Note payable to bank	4,426,525	5,788,145	(8,700,064)	1,514,606	242,626
Note payable to Comanche County Industrial Development Authority	624,167	-	(153,552)	470,615	-
Capital lease obligations	5,802,310	7,319,683	(2,329,517)	10,792,476	3,131,709
	$ 81,873,002	$ 13,107,828	$ (13,978,133)	$ 81,002,697	$ 6,304,335

Revenue Bonds Payable

The revenue bonds payable consist of the following:

- Series 2005 Hospital Revenue Refunding Bonds (Series 2005 Revenue Bonds), in the original amount of $32,970,000 dated November 1, 2005, which bear interest at 4.375% to 5.25%, payable semiannually beginning July 1, 2006. Principal is payable in annual installments beginning July 1, 2014, and continuing through July 1, 2023. The Authority is required to make monthly deposits to a debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2016, at a price of par plus accrued interest to the date of redemption. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. Payments of principal and interest are also secured by an insurance policy issued by a commercial insurer.

- Series 2004 Hospital Revenue Refunding Bonds (Series 2004 Revenue Bonds), in the original amount of $18,335,000 dated December 8, 2004, which bear interest at 3.50% to 5.00%, payable semiannually beginning July 1, 2005. Principal is payable in annual installments through July 1, 2013. The Authority is required to make monthly deposits to a debt service fund held by the trustee. The bonds may not be redeemed prior to maturity, other than extraordinary optional redemption. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. Payments of principal and interest are also secured by an insurance policy issued by a commercial insurer.

- Series 2000B Fixed Rate Revenue Bonds (Series 2000B Revenue Bonds), in the original amount of $28,010,000 dated February 1, 2002, which bear interest at 5.35% to 6.60%, payable semiannually. Principal is payable in annual installments through July 2031. The Authority is required to make monthly deposits to a debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2012, at a redemption price of 102% decreasing to 101% on July 1, 2013, and to 100% on or after July 1, 2014. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement.

The revenue bonds' indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the accompanying balance sheets. The indentures also require the Authority to comply with certain restrictive covenants, including minimum insurance coverage, maintaining a debt service coverage ratio of at least 1.20 to 1.00, restrictions on incurrence of additional debt and maintaining minimum days cash on hand.

The debt service requirements as of June 30, 2011, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2012	$ 6,369,765	$ 2,805,000	$ 3,564,765
2013	6,364,815	2,950,000	3,414,815
2014	6,379,090	3,110,000	3,269,090
2015	6,410,971	3,300,000	3,110,971
2016	6,415,872	3,490,000	2,925,872
2017–2021	31,967,279	20,465,000	11,502,279
2022–2026	23,399,136	17,890,000	5,509,136
2027–2031	10,703,150	8,540,000	2,163,150
2032	2,133,145	2,065,000	68,145
	$ 100,143,223	$ 64,615,000	$ 35,528,223

Revenue Refunding Note

Tillman County – City of Frederick Hospital Authority Hospital Revenue Refunding Note, Series 2003, in the original amount of $2,295,000 dated December 1, 2003, which bears interest at 4.4%, payable semiannually. Principal is payable semiannually through September 2013. Tillman is required to make monthly deposits to debt service funds held by the trustee. The note is secured by and is to be repaid from revenues generated by a 1% sales tax levied by the city of Frederick, Oklahoma, and appropriated to Tillman (see *Note 12*) and from certain revenues of Tillman. The Authority has guaranteed approximately 40% of the note's principal and interest payments.

The note indenture requires that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the accompanying balance sheets. The agreement also requires Tillman to comply with certain restrictive covenants, including maintaining a debt service coverage ratio of at least 1.10 to 1.00 and restrictions on incurrence of additional debt.

The debt service requirements as of June 30, 2011, are as follows:

Year Ending June 30,	Total be to Paid	Principal	Interest
2012	$ 292,060	$ 265,000	$ 27,060
2013	290,290	275,000	15,290
2014	143,080	140,000	3,080
	$ 725,430	$ 680,000	$ 45,430

Notes Payable to Bank

Notes payable to bank consist of the following:

- Note payable dated March 7, 2006, and maturing March 10, 2016, in the original amount of $2,300,000, with monthly payments of $24,480, including interest at 5.00%, secured by facilities and improvements. The outstanding balance at June 30, 2011 and 2010, was $1,237,862 and $1,462,688, respectively.
- Note payable dated May 8, 2008, and maturing April 8, 2013, in the original amount of $87,250, with monthly payments of $1,598, including interest at 3.147%, secured by equipment. The outstanding balance at June 30, 2011 and 2010, was $34,118 and $51,918, respectively.

The debt service requirements as of June 30, 2011, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2012	$ 312,943	$ 254,854	$ 58,089
2013	309,741	264,502	45,239
2014	293,766	261,652	32,114
2015	293,766	275,222	18,544
2016	220,330	215,750	4,580
	$ 1,430,546	$ 1,271,980	$ 158,566

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, 2011 and 2010, consisted of the following:

	2011	2010
Capital assets, cost	$ 18,269,563	$ 14,806,843
Held in escrow for equipment purchase	4,652,265	3,896,837
	22,921,828	18,703,680
Less accumulated depreciation	5,889,485	3,703,524
	$ 17,032,343	$ 15,000,156

The following is a schedule by year of future minimum lease payments under capital leases, including interest at rates of 3.44% to 5.84% together with the present value of the future minimum lease payments as of June 30, 2011:

Year Ending June 30,	
2012	$ 3,948,984
2013	3,290,201
2014	2,636,340
2015	1,629,945
2016	424,298
Total minimum lease payments	11,929,768
Less amount representing interest	663,709
Present value of future minimum lease payments	$ 11,266,059

Note Payable to Comanche County Industrial Development Authority

The note payable to Comanche County Industrial Development Authority (CCIDA) is due April 15, 2015, including interest at 6% annually. The Authority's obligation to repay the note may be reduced or forgiven if, during the time the note is outstanding, the Authority meets certain criteria relative to the creation of jobs, investment in training, and opening and maintaining additional beds. The amounts forgiven during 2011 and 2010 by CCIDA were $153,552 and $133,450, respectively.

Compensated Absences Obligations

The following is a summary of compensated absences obligations transactions for the Authority for the years ended June 30, 2011 and 2010:

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Compensated absences obligations	$ 4,873,125	$ 5,817,381	$ (5,826,153)	$ 4,864,353	$ 2,820,759

	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Compensated absences obligations	$ 4,885,532	$ 6,359,512	$ (6,371,919)	$ 4,873,125	$ 3,015,866

Net Pension Obligation

The following is a summary of net pension obligation transactions for the Authority for the years ended June 30, 2011 and 2010:

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Net pension obligation	$ 5,520,193	$ 2,020,519	$ (3,086,640)	$ 4,454,072	$ 1,990,604

	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Net pension obligation	$ 4,572,572	$ 2,778,645	$ (1,831,024)	$ 5,520,193	$ 2,736,298

Note 9: 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 charges relating to these services are approximately as follows:

	2011	2010
Charity allowances	$ 4,739,000	$ 5,700,000
State Medicaid and other public aid programs	44,482,000	39,808,000
	$ 49,221,000	$ 45,508,000

In addition to uncompensated charges, 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 screening and assessments, prenatal education and care, community educational services, ambulance services, rural clinics and various support groups.

Note 10: Pension Plan

Plan Description

The Authority maintains a single-employer defined benefit pension plan administered by the plan's Board of Trustees who are appointed by the Authority's governing body. The plan provides retirement, disability and death benefits to plan members who are employees of CCMH, MTNC and LCHC, and their beneficiaries. The plan also includes supplemental retirement benefits for certain employees. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing the plan at Comanche County Memorial Hospital, Administrative Office, 3401 West Gore Boulevard, Lawton, Oklahoma 73505, or by calling 580.355.8620.

Funding Policy

The authority to establish and amend obligations of plan members and the Authority is vested in the Authority's governing body. There are no required or permitted contributions by plan members. The Authority is required to contribute an actuarially determined amount.

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension cost and net pension obligation to the plan for 2011 and 2010 were as follows:

	2011	2010
Annual required contributions	$ 2,273,816	$ 2,998,201
Interest on net pension obligation	386,414	337,227
Adjustment to annual required contribution	(625,336)	(542,393)
Annual pension cost	2,034,894	2,793,035
Contributions made	(3,101,015)	(1,845,414)
Increase (decrease) in net pension obligation	(1,066,121)	947,621
Net pension obligation at beginning of year	5,520,193	4,572,572
Net pension obligation at end of year	$ 4,454,072	$ 5,520,193

The annual required contribution for 2011 and 2010 was determined as part of actuarial valuations on July 1, 2010 and 2009, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions included 7.0% and 7.375% investment rate of return (net of administrative expenses), projected salary increases of 3.0% and 4.0% per year and an inflation component. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at July 1, 2010, was 30 years for the retirement plan and 10 years for the supplemental plan.

Effective June 30, 2004, the plan was amended to provide benefits payable on the earlier of the plan member's 65th birthday or the date the member's age plus years of service is at least 90. Members with at least 10 years of service at June 30, 2004, are required to have age plus years of service at 80 to receive benefits.

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 2,034,894	152%	$ 4,454,072
2010	$ 2,793,035	66%	$ 5,520,193
2009	$ 2,367,116	51%	$ 4,572,572

Funding Status and Funding Progress

The following is funded status information as of July 1, 2010, the most recent actuarial valuation date:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
$ 23,878,170	$ 39,238,359	$ 15,360,189	60.9%	$ 54,634,231	28.1%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Note 11: Postretirement Health Plan

The Authority's postretirement health care plan is a single-employer plan administered by the Authority's governing body. The authority to establish and amend benefit provisions is vested in the Authority's governing body.

The Authority provides health care coverage to certain eligible retirees. A retiree is eligible to continue to receive these benefits if they are also participants in the Authority's supplemental retirement plan (*Note 10*) until they reach the age of 65 or obtain other health care coverage. These benefits are provided without cost to the participants following their retirement.

In addition, participants in the Authority's health care plan who terminate employment are able to continue to participate in the health plan under certain conditions, provided they pay the full amount of premium, under the Authority's COBRA benefit.

Funding Policy

The plan is a pay-as-you-go plan and, therefore, is not funded. The Authority funds the plan on a cash basis as benefits are paid. No assets have been segregated or restricted to provide plan benefits. At June 30, 2011, expenditures have been recognized. Of the six plan participants, one participant is eligible to receive benefits.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	2011	2010
Normal cost	$ (25,036)	$ (24,410)
Amortization of UAAL	36,384	36,384
Annual required contribution	11,348	11,974
Interest on prior year net OPEB obligation	12,885	13,049
Adjustment to annual required contribution	5,957	5,785
Annual OPEB cost	30,190	30,808
Contributions made	-	-
Increase in net OPEB obligation	30,190	30,808
Net OPEB obligation at beginning of year	256,012	225,204
Net OPEB obligation at end of year	$ 286,202	$ 256,012

The annual required contribution for 2011 was determined as part of an actuarial valuation on July 1, 2010, using the projected unit credit actuarial cost method. The actuarial assumptions included a 6.0% discount rate and an annual health care cost trend rate of 5.0%. The UAAL is being amortized over 15 years. The remaining amortization period at June 30, 2011, was 11 years.

The annual required contribution for 2010 was determined as part of an actuarial valuation on July 1, 2009, using the projected unit credit actuarial cost method. The actuarial assumptions included a 6.0% discount rate and an annual health care cost trend rate of 5.0%. The UAAL is being amortized over 15 years. The remaining amortization period at June 30, 2010, was 12 years.

Trend Information

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	$ 30,190	0%	$ 286,202
2010	$ 30,808	0%	$ 256,012
2009	$ 105,216	0%	$ 210,432

Funded Status and Funding Progress

The following is funded status information as of July 1, 2010, the most recent actuarial valuation date:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
$ -	$ 286,202	$ 286,202	0.0%	$ 1,743,763	16.4%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Note 12: City Appropriations

A 1% sales tax ordinance with no established expiration date was enacted March 1, 1980, by the city of Frederick, Oklahoma, originally to provide unrestricted revenue appropriations to be used by the Tillman County – City of Fredrick Hospital Authority for the operations of the Tillman Hospital facility. The city of Frederick executed a revised sales tax agreement effective December 1, 2003, to secure payment of the Revenue Refunding Note (see *Note 8*) with a pledge of the appropriations.

Note 13: Related-Party Information

Comanche County Hospital Foundation (the Foundation)

The Foundation, a not-for-profit corporation with a separate board of directors, was established in February 1993 to support the educational and charitable purposes of CCMH. CCMH provides administrative services and supplies to the Foundation. Included in due from related parties on the accompanying balance sheets at June 30, 2011 and 2010, are $154,723 and $46,908, respectively, owed by the Foundation as a result of these purchases and services.

Cancer Centers of Southwest Oklahoma, LLC

As discussed below, the Authority is a member of Cancer Centers of Southwest Oklahoma, LLC (CCSO). For the years ended June 30, 2011 and 2010, the Authority recorded revenue from CCSO in the amounts of $5,580,548 and $5,856,803, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2011 and 2010, CCSO owed the Authority $3,435,434 and $3,400,767, respectively, which is included in due from related parties on the accompanying balance sheets.

CCSO provides cancer treatment services to the Authority's patients. For the years ended June 30, 2011 and 2010, the Authority incurred $12,559,132 and $3,890,985, respectively, of expense and owed CCSO $5,136,408 and $2,087,817 at June 30, 2011 and 2010, respectively, related to these services. These amounts are included in the accompanying balance sheets in due to related parties.

During fiscal 2010, the Authority completed construction on and sold to CCSO a cancer treatment facility costing $10,369,103.

Note 14: Investment in Cancer Centers of Southwest Oklahoma, LLC

The Authority is an approximate 46% ownership member of CCSO. The Authority's investment in CCSO amounted to $2,804,478 and $2,568,932 at June 30, 2011 and 2010, respectively, and is included in other assets on the accompanying balance sheets. CCSO was formed to develop and operate three facilities specializing in providing cancer treatment services for the residents of southwest Oklahoma.

At June 30, 2010, all three cancer treatment facilities were complete. On November 12, 2009, CCSO completed its loan with a commercial bank for $30 million. From the loan proceeds, the Authority was repaid principal and interest on notes receivable from CCSO totaling approximately $770,000. In addition, in January 2010, CCSO management exercised the purchase option on the Lawton cancer treatment facility and paid the Authority the approximate $10,400,000 purchase price.

Financial position and results of operations summarized from CCSO's audited financial statements for the fiscal years ended June 30, 2011 and 2010, are shown below:

	2011	2010
Current assets	$ 9,885,104	$ 6,872,503
Capital assets and other long-term assets, net	30,597,425	32,968,730
Total assets	40,482,529	39,841,233
Total liabilities	34,347,428	34,221,521
Net assets	$ 6,135,101	$ 5,619,712
Operating revenues	$ 21,159,535	$ 17,290,233
Excess of expenses over revenues	$ (2,084,611)	$ (2,749,488)

Complete financial statements of CCSO may be obtained by contacting the Authority's management at 580.355.8620.

Note 15: 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 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 potential claim. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Current Economic Conditions

The current protracted economic decline continues to present health care organizations with unprecedented circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair values of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The accompanying financial statements have been prepared using values and information currently available to the Authority.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Authority's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Authority's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the accompanying financial statements could change rapidly, resulting in material future adjustments in investment values, including defined benefit pension plan investments and allowances for accounts and contributions receivable, that could negatively impact the Authority's ability to meet debt covenants or maintain sufficient liquidity.

The Comanche County Hospital Authority

Required Supplementary Information – Schedules of Funding Progress

Year Ended June 30, 2011

Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2010	$ 23,878,170	$ 39,238,359	$ 15,360,189	60.9%	$ 54,634,231	28.1%
7/1/2009	$ 20,969,114	$ 39,305,389	$ 18,336,275	53.3%	$ 54,169,624	33.8%
7/1/2008	$ 26,331,308	$ 38,913,099	$ 12,581,791	67.7%	$ 49,509,276	25.4%

The actuarial accrued liability is based on the projected unit credit method.

Postretirement Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2010	$ -	$ 286,202	$ 286,202	0.0%	$ 1,743,763	16.4%
7/1/2009	$ -	$ 256,012	$ 256,012	0.0%	$ 1,855,577	13.8%

The actuarial accrued liability is based on the projected unit credit method. The Authority’s policy is to perform an actuarial valuation on the postretirement health plan every two years.

The Comanche County Hospital Authority

Combining Schedule – Balance Sheet Information

June 30, 2011

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Assets							
Current Assets							
Cash and cash equivalents	$ -	$ 12,609,154	$ 3,135,445	$ 460,413	$ 554,067	$ -	$ 16,759,079
Short-term investments	-	4,688,797	428,596	1,300,000	-	-	6,417,393
Restricted cash and investments – current	-	9,500,456	-	96,653	-	-	9,597,109
Patient accounts receivable, net	-	28,292,528	201,355	915,535	66,415	-	29,475,833
Accrued investment income	-	134,932	13,195	-	-	-	148,127
Due from related parties	-	4,395,658	-	-	-	(795,514)	3,600,144
Other receivables	-	122,428	-	56,411	63,774	-	242,613
Supplies	-	4,840,708	18,456	213,772	4,776	-	5,077,712
Prepaid expenses and other	-	2,661,608	27,078	104,473	3,883	-	2,797,042
Total current assets	-	67,246,269	3,824,125	3,147,257	692,915	(795,514)	74,115,052
Noncurrent Cash and Investments							
Held by trustee for debt service	-	10,253,008	-	96,653	-	-	10,349,661
Held in escrow for equipment purchases	-	4,652,265	-	-	-	-	4,652,265
	-	14,905,273	-	96,653	-	-	15,001,926
Less amount required to meet current obligations	-	9,500,456	-	96,653	-	-	9,597,109
	-	5,404,817	-	-	-	-	5,404,817
Other long-term investments	-	16,486,951	1,777,724	900,000	-	-	19,164,675
	-	21,891,768	1,777,724	900,000	-	-	24,569,492
Capital Assets, Net	-	82,664,697	2,430,457	2,829,215	509,830	-	88,434,199
Other Assets							
Deferred financing costs	-	1,571,844	-	16,974	-	-	1,588,818
Investment in joint venture	2,804,477	6,500,032	-	-	-	(6,500,032)	2,804,477
Other	-	1,261,975	-	-	-	-	1,261,975
	2,804,477	9,333,851	-	16,974	-	(6,500,032)	5,655,270
Total assets	$ 2,804,477	$ 181,136,585	$ 8,032,306	$ 6,893,446	$ 1,202,745	$ (7,295,546)	$ 192,774,013

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	$ -	$ 6,580,257	$ -	$ 369,563	$ -	$ -	$ 6,949,820
Accounts payable	-	13,422,094	392,450	454,758	17,502	(472,070)	13,814,734
Accrued expenses	-	8,643,469	193,527	342,762	-	-	9,179,758
Accrued interest payable	-	1,818,920	-	9,973	-	-	1,828,893
Due to related parties	-	5,136,408	-	-	323,769	(323,444)	5,136,733
Estimated amounts due to third-party payers	-	2,000,105	-	-	-	-	2,000,105
Total current liabilities	-	37,601,253	585,977	1,177,056	341,271	(795,514)	38,910,043
Due to Related Party	6,500,032	-	-	-	-	(6,500,032)	-
Long-term Debt	-	70,722,397	-	497,987	-	-	71,220,384
Long-term Net Pension Obligation	-	2,463,467	-	-	-	-	2,463,467
Long-term Compensated Absences Obligation	-	1,923,826	63,754	56,014	-	-	2,043,594
Total liabilities	6,500,032	112,710,943	649,731	1,731,057	341,271	(7,295,546)	114,637,488
Net Assets							
Invested in capital assets, net of related debt	-	7,691,333	2,430,457	1,978,639	509,830	-	12,610,259
Restricted – expendable for debt service	-	6,235,976	-	86,680	-	-	6,322,656
Unrestricted	(3,695,555)	54,498,333	4,952,118	3,097,070	351,644	-	59,203,610
Total net assets	(3,695,555)	68,425,642	7,382,575	5,162,389	861,474	-	78,136,525
Total liabilities and net assets	$ 2,804,477	$ 181,136,585	$ 8,032,306	$ 6,893,446	$ 1,202,745	$ (7,295,546)	$ 192,774,013

The Comanche County Hospital Authority

Combining Schedule – Balance Sheet Information

June 30, 2010

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Assets							
Current Assets							
Cash and cash equivalents	$ -	$ 13,595,993	$ 3,348,052	$ 961,850	$ 257,780	$ -	$ 18,163,675
Short-term investments	-	7,584,904	1,159,406	3,100,000	-	-	11,844,310
Restricted cash and investments – current	-	8,521,860	-	121,919	-	-	8,643,779
Patient accounts receivable, net	-	30,577,927	216,943	598,884	37,170	-	31,430,924
Accrued investment income	-	147,556	17,210	-	-	-	164,766
Due from related parties	-	4,372,458	-	-	-	(885,200)	3,487,258
Other receivables	-	100,484	-	15,230	58,632	-	174,346
Supplies	-	4,984,271	26,500	209,988	52,153	-	5,272,912
Prepaid expenses and other	-	2,561,763	29,042	93,590	4,234	-	2,688,629
Total current assets	-	72,447,216	4,797,153	5,101,461	409,969	(885,200)	81,870,599
Noncurrent Cash and Investments							
Held by trustee for debt service	-	10,090,255	-	121,919	-	-	10,212,174
Held in escrow for equipment purchases	-	3,896,837	-	-	-	-	3,896,837
	-	13,987,092	-	121,919	-	-	14,109,011
Less amount required to meet current obligations	-	8,521,860	-	121,919	-	-	8,643,779
	-	5,465,232	-	-	-	-	5,465,232
Other long-term investments	-	10,226,405	1,053,678	100,000	-	-	11,380,083
	-	15,691,637	1,053,678	100,000	-	-	16,845,315
Capital Assets, Net	-	79,835,996	2,618,787	1,395,395	272,682	-	84,122,860
Other Assets							
Deferred financing costs	-	1,782,507	-	31,318	-	-	1,813,825
Investment in joint venture	2,568,932	5,311,402	-	-	-	(5,311,402)	2,568,932
Other	-	1,508,002	-	-	-	-	1,508,002
	2,568,932	8,601,911	-	31,318	-	(5,311,402)	5,890,759
Total assets	$ 2,568,932	$ 176,576,760	$ 8,469,618	$ 6,628,174	$ 682,651	$ (6,196,602)	$ 188,729,533

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	$ -	$ 5,949,126	$ -	$ 355,209	$ -	$ -	$ 6,304,335
Accounts payable	-	15,148,060	723,723	9,131	5,816	(519,096)	15,367,634
Accrued expenses	-	8,560,873	204,863	442,976	-	-	9,208,712
Accrued interest payable	-	1,885,951	-	37,033	-	-	1,922,984
Due to related parties	-	2,207,196	-	-	171,193	(366,104)	2,012,285
Estimated amounts due to third-party payers	-	705,373	-	-	-	-	705,373
Total current liabilities	-	34,456,579	928,586	844,349	177,009	(885,200)	35,521,323
Due to Related Party	5,311,402	-	-	-	-	(5,311,402)	-
Long-term Debt	-	73,830,810	-	867,552	-	-	74,698,362
Long-term Net Pension Obligation	-	2,783,895	-	-	-	-	2,783,895
Long-term Compensated Absences Obligation	-	1,763,995	49,411	43,853	-	-	1,857,259
Total liabilities	5,311,402	112,835,279	977,997	1,755,754	177,009	(6,196,602)	114,860,839
Net Assets							
Invested in capital assets, net of related debt	-	2,334,949	2,618,787	203,952	272,682	-	5,430,370
Restricted – expendable for debt service	-	6,006,226	-	84,886	-	-	6,091,112
Unrestricted	(2,742,470)	55,400,306	4,872,834	4,583,582	232,960	-	62,347,212
Total net assets	(2,742,470)	63,741,481	7,491,621	4,872,420	505,642	-	73,868,694
Total liabilities and net assets	$ 2,568,932	$ 176,576,760	$ 8,469,618	$ 6,628,174	$ 682,651	$ (6,196,602)	$ 188,729,533

The Comanche County Hospital Authority

Combining Schedule – Statement of Revenues, Expenses and Changes in Net Assets Information

Year Ended June 30, 2011

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues							
Net patient service revenue, net of provision for uncollectible accounts	$ -	$ 199,959,884	$ 5,037,233	$ 8,010,327	$ 825,091	$ -	$ 213,832,535
Grant revenue	-	-	-	-	639,703	-	639,703
Other	-	4,068,309	1,269	71,585	-	(106,014)	4,035,149
Total operating revenues	-	204,028,193	5,038,502	8,081,912	1,464,794	(106,014)	218,507,387
Operating Expenses							
Salaries and wages	-	82,009,798	2,718,623	4,036,309	773,666	-	89,538,396
Employee benefits	-	14,866,895	629,944	1,096,385	122,567	-	16,715,791
Purchased services and professional fees	-	40,858,752	290,610	1,052,389	286,063	(106,014)	42,381,800
Medical supplies and drugs	-	35,869,295	90,384	519,977	86,115	-	36,565,771
Supplies and other	-	11,805,423	1,159,053	920,566	157,395	-	14,042,437
Insurance	-	1,365,751	60,528	114,605	16,616	-	1,557,500
Depreciation and amortization	-	9,617,593	241,159	270,416	52,571	-	10,181,739
Loss on sale of capital assets	-	18,336	-	-	-	-	18,336
Total operating expenses	-	196,411,843	5,190,301	8,010,647	1,494,993	(106,014)	211,001,770
Operating Income	-	7,616,350	(151,799)	71,265	(30,199)	-	7,505,617
Nonoperating Revenues (Expenses)							
City appropriations – unrestricted	-	-	-	229,795	-	-	229,795
Noncapital grants and gifts	-	466,662	-	-	383,061	-	849,723
Loss on investment in equity investee	(953,085)	-	-	-	-	-	(953,085)
Investment income	-	460,127	42,753	25,724	2,970	-	531,574
Interest expense	-	(3,943,978)	-	(36,815)	-	-	(3,980,793)
Total nonoperating revenues (expenses)	(953,085)	(3,017,189)	42,753	218,704	386,031	-	(3,322,786)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	(953,085)	4,599,161	(109,046)	289,969	355,832	-	4,182,831
Capital Grants and Gifts	-	85,000	-	-	-	-	85,000
Increase (Decrease) in Net Assets	(953,085)	4,684,161	(109,046)	289,969	355,832	-	4,267,831
Net Assets, Beginning of Year	(2,742,470)	63,741,481	7,491,621	4,872,420	505,642	-	73,868,694
Net Assets, End of Year	$ (3,695,555)	$ 68,425,642	$ 7,382,575	$ 5,162,389	$ 861,474	$ -	$ 78,136,525

The Comanche County Hospital Authority

Combining Schedule – Statement of Revenues, Expenses and Changes in Net Assets Information

Year Ended June 30, 2010

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues							
Net patient service revenue, net of provision for uncollectible accounts	$ -	$ 189,549,060	$ 5,304,754	$ 7,561,427	$ 662,664	$ (545,691)	$ 202,532,214
Grant revenue	-	-	-	-	614,196	-	614,196
Other	-	3,008,516	2,235	102,889	-	447,677	3,561,317
Total operating revenues	-	192,557,576	5,306,989	7,664,316	1,276,860	(98,014)	206,707,727
Operating Expenses							
Salaries and wages	-	80,948,986	2,700,674	3,793,782	733,473	-	88,176,915
Employee benefits	-	17,138,680	596,804	978,293	113,014	-	18,826,791
Purchased services and professional fees	-	33,544,718	142,783	1,021,529	198,911	(98,014)	34,809,927
Medical supplies and drugs	-	36,362,172	75,710	639,469	16,762	-	37,094,113
Supplies and other	-	11,833,754	1,139,233	821,978	117,977	-	13,912,942
Insurance	-	1,689,938	69,344	111,200	17,240	-	1,887,722
Depreciation and amortization	-	9,162,387	241,058	279,785	38,841	-	9,722,071
Gain on sale of capital assets	-	(447,072)	-	-	-	-	(447,072)
Total operating expenses	-	190,233,563	4,965,606	7,646,036	1,236,218	(98,014)	203,983,409
Operating Income	-	2,324,013	341,383	18,280	40,642	-	2,724,318
Nonoperating Revenues (Expenses)							
City appropriations – unrestricted	-	-	-	293,493	-	-	293,493
Noncapital grants and gifts	-	474,856	-	-	157,901	-	632,757
Loss on investment in equity investee	(1,257,066)	-	-	-	-	-	(1,257,066)
Investment income	-	573,407	60,214	62,848	204	-	696,673
Interest expense	-	(4,261,713)	-	(71,614)	-	-	(4,333,327)
Total nonoperating revenues (expenses)	(1,257,066)	(3,213,450)	60,214	284,727	158,105	-	(3,967,470)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	(1,257,066)	(889,437)	401,597	303,007	198,747	-	(1,243,152)
Capital Grants and Gifts	-	1,331,663	-	-	-	-	1,331,663
Increase (Decrease) in Net Assets	(1,257,066)	442,226	401,597	303,007	198,747	-	88,511
Net Assets, Beginning of Year	(1,485,403)	63,299,255	7,090,024	4,569,413	306,895	-	73,780,184
Net Assets, End of Year	$ (2,742,469)	$ 63,741,481	$ 7,491,621	$ 4,872,420	$ 505,642	$ -	$ 73,868,695

The Comanche County Hospital Authority

Combining Schedule – Statement of Cash Flows Information

Year Ended June 30, 2011

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Operating Activities						
Receipts from and on behalf of patients	$ -	$ 203,540,015	$ 5,052,821	$ 7,693,676	$ 1,430,407	$ 217,716,919
Payments to suppliers and contractors	-	(88,898,835)	(1,921,840)	(2,192,287)	(334,198)	(93,347,160)
Payments to or on behalf of employees	-	(96,634,266)	(3,345,560)	(5,220,747)	(896,233)	(106,096,806)
Other receipts and payments, net	-	4,045,109	1,269	30,061	-	4,076,439
Net cash provided by (used in) operating activities	-	22,052,023	(213,310)	310,703	199,976	22,349,392
Noncapital Financing Activities						
Noncapital grants and gifts	-	466,662	-	-	383,061	849,723
City appropriations received	-	-	-	230,138	-	230,138
Advances from (to) related party	1,188,630	(1,188,630)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	1,188,630	(721,968)	-	230,138	383,061	1,079,861
Capital and Related Financing Activities						
Capital grants and gifts	-	85,000	-	-	-	85,000
Principal paid on long-term debt	-	(6,477,282)	-	(355,211)	-	(6,832,493)
Interest paid on long-term debt	-	(4,144,873)	-	(63,875)	-	(4,208,748)
Proceeds from issuance of long-term debt	-	4,000,000	-	-	-	4,000,000
Purchase of capital assets	-	(12,022,275)	(52,829)	(1,674,182)	(289,720)	(14,039,006)
Proceeds from sale of capital assets	-	52,405	-	-	-	52,405
Net cash used in capital and related financing activities	-	(18,507,025)	(52,829)	(2,093,268)	(289,720)	(20,942,842)
Investing Activities						
Interest on investments	-	844,048	96,565	25,724	2,970	969,307
Purchase of investments	-	(13,551,241)	(1,618,033)	(2,100,000)	-	(17,269,274)
Proceeds from disposition of investments	-	9,815,505	1,575,000	3,100,000	-	14,490,505
Contributions to equity investee	(1,188,630)	-	-	-	-	(1,188,630)
Net cash provided by (used in) investing activities	(1,188,630)	(2,891,688)	53,532	1,025,724	2,970	(2,998,092)
Increase (Decrease) in Cash and Cash Equivalents	-	(68,658)	(212,607)	(526,703)	296,287	(511,681)
Cash and Cash Equivalents, Beginning of Year	-	25,381,795	3,348,052	1,083,769	257,780	30,071,396
Cash and Cash Equivalents, End of Year	$ -	$ 25,313,137	$ 3,135,445	$ 557,066	$ 554,067	$ 29,559,715

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Reconciliation of Cash and Cash Equivalents to the Balance Sheet						
Cash and cash equivalents in current assets	$ -	$ 12,609,154	$ 3,135,445	$ 460,413	$ 554,067	$ 16,759,079
Cash and cash equivalents in noncurrent cash and investments						
Held by trustee for debt service	-	8,051,718	-	96,653	-	8,148,371
Held in escrow for equipment purchases	-	4,652,265	-	-	-	4,652,265
	$ -	$ 25,313,137	$ 3,135,445	$ 557,066	$ 554,067	$ 29,559,715
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities						
Operating income	$ -	$ 7,616,350	$ (151,799)	$ 71,265	$ (30,199)	$ 7,505,617
Depreciation and amortization	-	9,617,593	241,159	270,416	52,571	10,181,739
Gain on sale of capital assets	-	18,336	-	-	-	18,336
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	2,262,199	15,588	(316,651)	(34,387)	1,926,749
Supplies and prepaid expenses	-	21,774	10,008	(14,667)	47,728	64,843
Estimated amount due to third-party payer	-	1,294,732	-	-	-	1,294,732
Accounts payable and accrued expenses	-	1,011,756	(328,266)	357,574	164,263	1,205,327
Other assets and liabilities	-	209,283	-	(57,234)	-	152,049
Net cash provided by (used in) operating activities	$ -	$ 22,052,023	$ (213,310)	$ 310,703	$ 199,976	$ 22,349,392
Supplemental Disclosures of Cash Flows Information						
Capital asset acquisitions included in accounts payable	$ -	$ 90,579	$ -	$ -	$ -	$ 90,579
Loss on investment in equity investee	$ 953,085	$ -	$ -	$ -	$ -	$ 953,085

The Comanche County Hospital Authority

Combining Schedule – Statement of Cash Flows Information

Year Ended June 30, 2010

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Operating Activities						
Receipts from and on behalf of patients	$ -	$ 188,758,492	$ 5,325,084	$ 7,696,370	$ 1,353,935	$ 203,133,881
Payments to suppliers and contractors	-	(82,000,063)	(1,242,453)	(2,839,853)	(311,967)	(86,394,336)
Payments to or on behalf of employees	-	(97,878,722)	(3,284,871)	(4,652,586)	(846,487)	(106,662,666)
Other receipts and payments, net	-	4,832,747	2,235	144,087	-	4,979,069
Net cash provided by operating activities	-	13,712,454	799,995	348,018	195,481	15,055,948
Noncapital Financing Activities						
Noncapital grants and gifts	-	474,856	-	-	157,901	632,757
City appropriations received	-	-	-	291,836	-	291,836
Advances from (to) related party	1,600,079	(1,600,079)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	1,600,079	(1,125,223)	-	291,836	157,901	924,593
Capital and Related Financing Activities						
Capital grants and gifts	-	1,331,663	-	-	-	1,331,663
Principal paid on long-term debt	-	(13,637,092)	-	(341,041)	-	(13,978,133)
Interest paid on long-term debt	-	(4,460,813)	-	(51,888)	-	(4,512,701)
Proceeds from issuance of long-term debt	-	12,886,789	-	-	-	12,886,789
Purchase of capital assets	-	(15,524,570)	(100,291)	(597,852)	(104,989)	(16,327,702)
Proceeds from sale of capital assets	-	10,589,514	-	-	-	10,589,514
Net cash used in capital and related financing activities	-	(8,814,509)	(100,291)	(990,781)	(104,989)	(10,010,570)
Investing Activities						
Interest on investments	-	990,117	114,423	62,848	204	1,167,592
Purchase of investments	-	(11,086,249)	(1,048,218)	(2,300,000)	-	(14,434,467)
Proceeds from disposition of investments	-	14,462,286	1,225,000	2,600,000	-	18,287,286
Contributions to equity investee	(1,600,079)	-	-	-	-	(1,600,079)
Net cash provided by (used in) investing activities	(1,600,079)	4,366,154	291,205	362,848	204	3,420,332
Increase in Cash and Cash Equivalents	-	8,138,876	990,909	11,921	248,597	9,390,303
Cash and Cash Equivalents, Beginning of Year	-	17,242,919	2,357,143	1,071,848	9,183	20,681,093
Cash and Cash Equivalents, End of Year	$ -	$ 25,381,795	$ 3,348,052	$ 1,083,769	$ 257,780	$ 30,071,396

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Reconciliation of Cash and Cash Equivalents to the Balance Sheet						
Cash and cash equivalents in current assets	$ -	$ 13,595,993	$ 3,348,052	$ 961,850	$ 257,780	$ 18,163,675
Cash and cash equivalents in noncurrent cash and investments						
Held by trustee for debt service	-	7,888,965	-	121,919	-	8,010,884
Held in escrow for equipment purchases	-	3,896,837	-	-	-	3,896,837
	$ -	$ 25,381,795	$ 3,348,052	$ 1,083,769	$ 257,780	$ 30,071,396
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	$ -	$ 2,324,013	$ 341,383	$ 18,280	$ 40,642	$ 2,724,318
Depreciation and amortization	-	9,162,387	241,058	279,785	38,841	9,722,071
Gain on sale of capital assets	-	(447,072)	-	-	-	(447,072)
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	1,849,731	20,330	134,943	77,075	2,082,079
Supplies and prepaid expenses	-	4,940	(16,553)	(13,809)	(54,854)	(80,276)
Estimated amount due to third-party payer	-	(816,068)	-	-	-	(816,068)
Accounts payable and accrued expenses	-	1,498,733	213,777	(112,379)	93,777	1,693,908
Other assets and liabilities	-	135,790	-	41,198	-	176,988
Net cash provided by operating activities	$ -	$ 13,712,454	$ 799,995	$ 348,018	$ 195,481	$ 15,055,948
Supplemental Disclosures of Cash Flows Information						
Capital asset acquisitions included in accounts payable	$ -	$ 204,068	$ -	$ -	$ -	$ 204,068
Capital assets acquired through capital leases	$ -	$ 221,039	$ -	$ -	$ -	$ 221,039
Loss on investment in equity investee	$ 1,257,066	$ -	$ -	$ -	$ -	$ 1,257,066

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Independent Accountants' 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 Comanche County Hospital Authority
Lawton, Oklahoma

We have audited the financial statements of The Comanche County Hospital Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011-1 to be a material weakness.

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*.

We also noted certain matters that we reported to the Authority's management in a separate letter dated November 28, 2011.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 28, 2011

The Comanche County Hospital Authority

Schedule of Findings and Responses

Year Ended June 30, 2011

Reference Number	Finding
2011-1	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – General ledger accounts for clinics do not agree to underlying accounting records. Context – Unidentified reconciling differences exist between the clinics' accounts receivable systems and general ledger accounts receivable and cash accounts. Effect – Potentially material misstatements in the financial statements could occur and not be prevented or detected timely. Cause – Inconsistencies exist between recording of transactions in the clinics' accounts receivable systems and how they are interfaced with the general ledger. Recommendation – Management should identify the cause of the inconsistencies between the clinics' accounts receivable systems and the general ledger and make corrections to processes or settings to resolve these issues. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and will perform the evaluation and implement corrections within the next year.