

# **The Comanche County Hospital Authority**

Auditor's Reports and Financial Statements

June 30, 2013 and 2012





**The Comanche County Hospital Authority**  
**June 30, 2013 and 2012**

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## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees  
The Comanche County Hospital Authority  
Lawton, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of The Comanche County Hospital Authority (the Authority), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Comanche County Hospital Authority as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*BKD, LLP*

# **The Comanche County Hospital Authority**

## **Management's Discussion and Analysis**

### **Years Ended June 30, 2013 and 2012**

#### ***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, 2013 and 2012. 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), Lawton Community Health Center (LCHC) and Tillman County – City of Frederick Hospital Authority (Tillman).

#### ***Financial Highlights***

- The Authority's net position increased in each of the past three years with a \$7,859 or 9.2% increase in 2013, a \$7,267 or 9.3% increase in 2012 and a \$4,268 or 5.8% increase in 2011.
- The Authority reported operating income of \$11,636, \$9,385 and \$7,506 in 2013, 2012 and 2011, respectively.
- During 2013 and 2012, the Authority acquired capital assets costing \$18,759 and \$17,243, 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 position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### ***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any 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 position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's total net position—the difference between assets and liabilities—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Authority.

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

The statement of cash flows reports cash receipts, cash payments and net changes in cash 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 Position***

The Authority's net position is the difference between its assets and liabilities reported in the balance sheet. The Authority's net position increased by \$7,859 or 9.2% in 2013 over 2012 and by \$7,267 or 9.3% in 2012 over 2011 as shown in Table 1.

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>			
Cash, cash equivalents and unrestricted investments	\$ 45,995	\$ 44,196	\$ 42,341
Patient accounts receivable, net	40,007	29,879	29,476
Other current assets	16,977	19,826	21,477
Capital assets, net	100,149	94,528	88,434
Other noncurrent assets	27,708	20,739	14,037
Total assets	<u>\$ 230,836</u>	<u>\$ 209,168</u>	<u>\$ 195,765</u>
<b>Liabilities</b>			
Long-term debt	\$ 81,798	\$ 78,306	\$ 71,220
Other liabilities	55,775	45,458	46,408
Total liabilities	<u>137,573</u>	<u>123,764</u>	<u>117,628</u>
<b>Net Position</b>			
Net investment in capital assets	34,866	23,930	17,262
Restricted expendable	4,193	7,896	6,323
Unrestricted	54,204	53,578	54,552
Total net position	<u>93,263</u>	<u>85,404</u>	<u>78,137</u>
Total liabilities and net position	<u>\$ 230,836</u>	<u>\$ 209,168</u>	<u>\$ 195,765</u>

In 2013, other noncurrent assets increased by \$6,969 or 33.6%, primarily due to an increase in long-term investments of \$8,133 or 52.2%. In addition, other liabilities increased by \$10,317 or 22.7% due to an increase in accounts payable of \$12,211 or 110.7% due to increased amounts owed to selected vendors.

In 2012, other noncurrent assets increased by \$6,702 or 47.7%, primarily due to goodwill being recorded as a component of the business combination discussed in *Note 16*. In addition, long-term debt increased by \$7,086 or 10.0%, which includes additional long-term debt in the amount of \$15,361 related to financing the purchase price of this business combination.

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

In 2013, the Authority's net position increased by \$7,859 or 9.2% as shown in Table 2. This compares to an increase in net position in 2012 of \$7,267 or 9.3% and an increase in 2011 of \$4,268 or 5.8%.

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 236,790	\$ 222,413	\$ 213,833
Other operating revenues	6,586	4,919	4,674
Total operating revenues	243,376	227,332	218,507
<b>Operating Expenses</b>			
Salaries and wages and employee benefits	115,109	107,165	106,254
Purchased services and professional fees	46,312	44,736	42,382
Medical supplies and drugs	35,654	33,407	36,566
Depreciation and amortization	12,295	11,471	10,182
Other operating expenses	22,370	21,168	15,617
Total operating expenses	231,740	217,947	211,001
<b>Operating Income</b>	11,636	9,385	7,506
<b>Nonoperating Revenues (Expenses)</b>			
City appropriations – unrestricted	234	225	230
Noncapital grants and gifts	530	525	850
Loss on investment in equity investee	(1,058)	(1,074)	(953)
Investment income	276	406	532
Interest expense	(3,836)	(3,775)	(3,982)
Total nonoperating revenues (expenses)	(3,854)	(3,693)	(3,323)
<b>Capital Grants and Gifts</b>	77	1,575	85
<b>Increase in Net Position</b>	\$ 7,859	\$ 7,267	\$ 4,268

## ***Operating Income***

The operating income for 2013 increased by \$2,251 or 24.0% compared to the 2012 amount. The primary components of the increase in operating income are:

- An increase in net patient service revenue of \$14,377 or 6.5%
- An increase in total operating expenses of \$13,793 or 6.3%

Net patient service revenue was greater in 2013 than in 2012 primarily due to the revenue associated with the services provided by The Heart and Vascular Center LLC (HVC) acquired in May 2012 (see Note 16).



Salaries, wages and employee benefits increased by \$7,944 or 7.4% due primarily to the increased salaries associated with the HVC acquisition.

The increase in medical supplies and drugs by \$2,247 or 6.7% was due primarily to the increased supply usage associated with the HVC acquisition and changes in surgical and vascular procedure mix.

The operating income for 2012 increased by \$1,879 or 25.0% compared to the 2011 amount. The primary components of the increase in operating income were:

- An increase in net patient service revenue of \$8,580 or 4.0%
- An increase in other operating expenses of \$5,551 or 35.6%

Net patient service revenue was greater in 2012 than in 2011 due in part to \$9,308 of Supplemental Hospital Offset Payment Program (SHOPP) payments received during 2012. For details on this program, see *Note 1*.

Other operating expenses increased by \$5,551 or 35.6% due in part to payments made into the state fund of the SHOPP program of approximately \$4,689.

### ***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 2013 and 2012, investment income decreased compared to the prior year's amounts by \$130 or 32.0% and \$126 or 23.7%, respectively, due primarily to lower interest rates earned and decreases in the fair values of investments held.

### ***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.

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

#### **Capital Assets**

At the end of 2013, the Authority had \$100,150 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2013, the Authority acquired capital assets costing \$18,759 and disposed of capital assets with a net book value of \$1,596 as part of an information technology system conversion.

At the end of 2012, the Authority had \$94,528 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2012, the Authority acquired capital assets costing \$17,243.

#### **Debt**

As detailed in *Note 9*, at June 30, 2013 and 2012, the Authority had \$88,347 and \$86,262, respectively, in revenue bonds, revenue refunding notes, notes payable and capital lease obligations outstanding. During 2013, the Authority incurred additional long-term debt of \$48,702 and made principal payments of \$45,765. In 2012, the Authority incurred a long-term note payable of \$15,361 for the purchase of a building, certain equipment and other assets in conjunction with the business combination discussed in *Note 16*.

## **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, Oklahoma, 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.

In the last three years, Lawton has seen the addition of an automobile dealership, three hotels and four national restaurant chains. A new shopping center anchored by Target opened this year. The tax increment financing (TIF) district in downtown Lawton has seen its first construction of a hotel and the announcement of additional shopping from big box stores, including Dick's Sporting Goods and Kohl's. The TIF district also has plans for a convention center. Lawton sales tax receipts have grown and are expected to continue to grow with the addition of these retail stores. Additionally, a new call center for the *Patient Protection and Affordable Care Act* to assist callers with information related to the insurance exchanges is opening in Lawton. The center is expected to hire 500 employees. Fort Sill is not in a growth mode and has recently seen a decline in the number of soldiers on post.

## ***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, 2013 and 2012

### Assets

	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 20,149,695	\$ 20,013,353
Short-term investments	2,128,769	8,599,446
Restricted cash and investments – current	6,047,370	8,286,547
Patient accounts receivable, net of allowance; 2013 – \$35,893,000, 2012 – \$37,530,000	40,007,047	29,879,228
Accrued investment income	92,597	200,593
Due from related parties	872,560	1,627,739
Contribution receivable	327,000	500,000
Supplies	5,233,308	5,127,076
Prepaid expenses and other	4,403,879	4,084,344
	<u>79,262,225</u>	<u>78,318,326</u>
<b>Noncurrent Cash and Investments</b>		
Held by trustee for debt service	9,819,063	10,357,451
Held in escrow for capital acquisitions	8,791,389	3,494,067
	<u>18,610,452</u>	<u>13,851,518</u>
Less amount required to meet current obligations	6,047,370	8,286,547
	<u>12,563,082</u>	<u>5,564,971</u>
Other long-term investments	23,716,203	15,583,075
	<u>36,279,285</u>	<u>21,148,046</u>
<b>Capital Assets, Net</b>	<u>100,149,551</u>	<u>94,527,613</u>
<b>Contribution Receivable</b>	<u>-</u>	<u>500,000</u>
<b>Other Assets</b>		
Deferred financing costs	1,374,928	1,579,631
Investment in joint venture	2,205,904	1,868,176
Goodwill	6,830,824	7,319,289
Other	4,733,125	3,906,848
	<u>15,144,781</u>	<u>14,673,944</u>
<b>Total assets</b>	<u><u>\$ 230,835,842</u></u>	<u><u>\$ 209,167,929</u></u>

## Liabilities and Net Position

	2013	2012
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 6,548,569	\$ 7,955,903
Accounts payable	23,237,773	11,026,917
Accrued expenses	16,756,113	15,305,297
Accrued interest payable	2,096,653	1,822,694
Due to related parties	2,311,132	2,603,216
Estimated amounts due to third-party payers	1,591,078	2,873,823
Total current liabilities	52,541,318	41,587,850
 <b>Long-Term Debt</b>	 81,798,290	 78,305,709
 <b>Long-Term Net Pension Obligation</b>	 3,233,183	 3,870,365
Total liabilities	137,572,791	123,763,924
 <b>Net Position</b>		
Net investment in capital assets	34,865,272	23,930,260
Restricted – expendable for		
Debt service	3,452,718	6,395,804
Capital acquisitions	740,876	1,500,000
Unrestricted	54,204,185	53,577,941
Total net position	93,263,051	85,404,005
Total liabilities and net position	\$ 230,835,842	\$ 209,167,929

**The Comanche County Hospital Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2013 – \$42,524,250, 2012 – \$39,787,503	\$ 236,789,906	\$ 222,412,838
Grant revenue	763,722	709,159
Other	<u>5,822,675</u>	<u>4,210,188</u>
Total operating revenues	<u>243,376,303</u>	<u>227,332,185</u>
<b>Operating Expenses</b>		
Salaries and wages	97,009,378	90,828,567
Employee benefits	18,099,553	16,336,245
Purchased services and professional fees	46,311,966	44,735,719
Medical supplies and drugs	35,653,828	33,406,708
Supplies and other	20,917,338	19,568,252
Insurance	1,445,382	1,566,804
Depreciation and amortization	12,295,240	11,471,359
Loss on sale of capital assets	<u>8,150</u>	<u>34,048</u>
Total operating expenses	<u>231,740,835</u>	<u>217,947,702</u>
<b>Operating Income</b>	<u>11,635,468</u>	<u>9,384,483</u>
<b>Nonoperating Revenues (Expenses)</b>		
City appropriations – unrestricted	233,950	225,479
Noncapital grants and gifts	528,675	524,552
Loss on investment in equity investee	(1,056,627)	(1,073,450)
Investment income	276,227	406,660
Interest expense	<u>(3,836,011)</u>	<u>(3,775,280)</u>
Total nonoperating revenues (expenses)	<u>(3,853,786)</u>	<u>(3,692,039)</u>
<b>Excess of Revenues over Expenses Before Capital Grants and Gifts</b>	7,781,682	5,692,444
<b>Capital Grants and Gifts</b>	<u>77,364</u>	<u>1,575,036</u>
<b>Increase in Net Position</b>	7,859,046	7,267,480
<b>Net Position, Beginning of Year</b>	<u>85,404,005</u>	<u>78,136,525</u>
<b>Net Position, End of Year</b>	<u><u>\$ 93,263,051</u></u>	<u><u>\$ 85,404,005</u></u>

**The Comanche County Hospital Authority**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 226,143,064	\$ 224,770,376
Payments to suppliers and contractors	(93,514,779)	(101,112,153)
Payments to or on behalf of employees	(114,295,297)	(109,958,214)
Other receipts and payments, net	<u>6,805,297</u>	<u>6,419,294</u>
Net cash provided by operating activities	<u>25,138,285</u>	<u>20,119,303</u>
<b>Noncapital Financing Activities</b>		
Noncapital grants and gifts	349,260	366,802
Proceeds from short-term notes payable	-	2,000,000
Principal payments on short-term notes payable	-	(2,000,000)
Interest paid on short-term notes payable	-	(10,833)
Payment of debt issuance costs	-	(361,185)
City appropriations received	<u>233,950</u>	<u>225,479</u>
Net cash provided by noncapital financing activities	<u>583,210</u>	<u>220,263</u>
<b>Capital and Related Financing Activities</b>		
Capital grants and gifts	750,364	575,036
Principal paid on long-term debt	(45,382,490)	(6,948,246)
Interest paid on long-term debt	(4,134,432)	(3,821,256)
Proceeds from issuance of long-term debt	48,701,679	15,360,771
Purchase of capital assets	(16,998,960)	(9,657,826)
Payment of call premium and debt issuance costs	(1,026,288)	-
Proceeds from sale of capital assets	<u>9,571</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(18,080,556)</u>	<u>(4,491,521)</u>
<b>Investing Activities</b>		
Interest on investments	747,109	680,158
Purchase of investments	5,052,876	13,347,271
Proceeds from disposition of investments	(17,912,076)	(12,336,978)
Payment for purchase of HVC (see Note 16)	-	(15,360,771)
Contributions to equity investee	<u>(1,394,355)</u>	<u>(137,149)</u>
Net cash used in investing activities	<u>(13,506,446)</u>	<u>(13,807,469)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(5,865,507)	2,040,576
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>31,600,291</u>	<u>29,559,715</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 25,734,784</u></u>	<u><u>\$ 31,600,291</u></u>

See Notes to Financial Statements

	<b>2013</b>	<b>2012</b>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents in current assets	\$ 20,149,695	\$ 20,013,353
Cash and cash equivalents in noncurrent cash and investments		
Held by trustee for debt service	5,585,089	8,092,871
Held in escrow for capital acquisitions	-	3,494,067
	<u>\$ 25,734,784</u>	<u>\$ 31,600,291</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income	\$ 11,635,468	\$ 9,384,483
Depreciation and amortization	12,295,240	11,471,358
Loss on sale of capital assets	8,150	34,048
Provision for uncollectible accounts	42,524,250	39,787,503
Changes in assets and liabilities		
Patient and other accounts receivable, net	(51,744,630)	(36,864,396)
Supplies and prepaid expenses	(425,767)	(1,022,374)
Estimated amount due to third-party payer	(1,282,745)	859,242
Accounts payable and accrued expenses	12,996,855	(3,709,798)
Other assets and liabilities	(868,536)	179,237
	<u>\$ 25,138,285</u>	<u>\$ 20,119,303</u>
<b>Supplemental Disclosures of Cash Flows Information</b>		
Capital asset acquisitions included in accounts payable	\$ 251,414	\$ 668,123
Loss on investment in equity investee	\$ 1,056,627	\$ 1,073,450
Forgiveness of debt payments ( <i>Note 9</i> )	\$ 179,415	\$ 157,750
Nonmonetary transaction for capital asset acquisitions ( <i>Note 5</i> )	\$ 1,578,064	\$ -
The Authority purchased all of the member units of HVC (see <i>Note 16</i> ) for \$15,360,771. In conjunction with the acquisition, liabilities were assumed as follows:		
Fair value of assets acquired		\$ 8,159,524
Goodwill associated with purchase		7,362,565
Cash paid for the member units		<u>(15,360,771)</u>
Liabilities assumed		<u>\$ 161,318</u>

# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### **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 (the County), 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 the 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 9*). 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.



# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

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 position 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 financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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, 2013 and 2012, cash equivalents consisted of money market mutual funds with brokers.

# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### ***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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Authority is self-insured for a portion of its exposure to risk of loss from unemployment, employee health, dental, short-term disability and 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 398 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, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

### ***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. As a service to the patient, the Authority bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as uncollectible accounts 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.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### **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 and leasehold improvements 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:

	<b>2013</b>	<b>2012</b>
Interest costs capitalized	\$ 549,118	\$ 91,796
Interest costs charged to expense	<u>3,836,011</u>	<u>3,775,280</u>
Total interest incurred	<u><u>\$ 4,385,129</u></u>	<u><u>\$ 3,867,076</u></u>

### **Contributions Receivable**

The Authority records pledges or promises to give at their net realizable value, including a valuation allowance at the time of the pledge. Gifts expected to be received more than one year from the balance sheet date are considered long term and are excluded from current assets.

### **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 Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### ***Net Position***

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

### ***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.

# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### ***Supplemental Hospital Offset Payment Program***

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

During the years ended June 30, 2013 and 2012, the Authority received approximately \$9,708,000 and \$9,308,000 in SHOPP funds, respectively, and paid approximately \$4,783,000 and \$4,689,000 in SHOPP assessment fees, respectively. The annual amounts to be received and paid by the Authority over the term of the SHOPP program are subject to change annually based on various factors involved in determining the amount of federal matching funds. Based on the current information available, the annual net benefit to the Authority over the term of the SHOPP program is not expected to be materially different than the net amounts received in 2013 and 2012. The SHOPP revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses and changes in net position.

### ***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Authority recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

Tillman attested to meeting the first-year requirements under the Medicare program during the year ended June 30, 2013, and recognized revenue of approximately \$1,387,000, which is recorded in the accompanying statement of revenues, expenses and changes in net position in other revenue.

CCMH attested to meeting the first-year requirements under the Medicare program during October 2013 and will recognize approximately \$2,000,000 of revenue in fiscal year 2014 related to meeting the first-year requirements under the Medicare program

# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### ***Reclassifications***

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 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 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 62% and 55% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2013 and 2012, 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 basis for payment under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

### ***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, 2013 and 2012, the Authority received approximately \$764,000 and \$709,000, respectively, in CHC grant funds.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### 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.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2013 and 2012, approximately \$940,000 and \$0 of the Authority's bank balances of approximately \$23,683,000 and \$24,644,000 were exposed to custodial credit risk as uninsured and uncollateralized. At June 30, 2013, the Hospital's bank balances in excess of FDIC limits were collateralized by irrevocable letters of credit from the Federal Home Loan Banks.

#### Investments

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

At June 30, 2013 and 2012, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More than 10
June 30, 2013					
Mortgage- and asset-backed securities of U.S. agencies	\$ 24,717,913	\$ 1,001,710	\$ 23,716,203	\$ -	\$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Money market mutual funds	17,706,216	17,706,216	-	-	-
	44,625,419	<u>\$ 18,707,926</u>	<u>\$ 23,716,203</u>	<u>\$ -</u>	<u>\$ 2,201,290</u>
Accrued investment income	92,597				
	<u>\$ 44,718,016</u>				
June 30, 2012					
Mortgage- and asset-backed securities of U.S. agencies	\$ 22,152,074	\$ 7,379,833	\$ 14,772,241	\$ -	\$ -
Repurchase agreement	2,201,290	-	-	-	2,201,290
Money market mutual funds	10,638,770	10,638,770	-	-	-
	34,992,134	<u>\$ 18,018,603</u>	<u>\$ 14,772,241</u>	<u>\$ -</u>	<u>\$ 2,201,290</u>
Accrued investment income	200,593				
	<u>\$ 35,192,727</u>				

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

- **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, 2013 and 2012, the Authority’s investments that were not direct obligations of or explicitly guaranteed by the U.S. government were rated as follows:

Type	2013		2012	
	Moody’s	S & P	Moody’s	S & P
Mortgage- and asset-backed securities of U.S. agencies	Not rated to Aaa	AA+	Aaa	AA+
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, 2013 and 2012, the Authority’s investments in mortgage- and asset-backed securities of U.S. agencies and all of the underlying securities for the Authority’s investment in the repurchase agreement are held by the counterparties in other than the Authority’s name. The Authority’s investment policy does not address how securities underlying repurchase agreements are to be held.
- **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.



# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

At June 30, 2013, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal Home Loan Mortgage Corporation	\$ 10,592,688	23.7%
Federal National Mortgage Association	\$ 7,967,912	17.8%
Federal Farm Credit Bank	\$ 2,888,386	6.5%
Federal Home Loan Bank	\$ 2,746,393	6.1%

At June 30, 2012, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal National Mortgage Association	\$ 11,577,308	32.9%
Federal Home Loan Mortgage Corporation	\$ 7,873,018	22.4%

### **Summary of Carrying Values**

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

	2013	2012
Carrying value		
Deposits	\$ 19,979,700	\$ 23,055,258
Investments	44,718,016	35,192,727
	<u>\$ 64,697,716</u>	<u>\$ 58,247,985</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 20,149,695	\$ 20,013,353
Short-term investments	2,128,769	8,599,446
Restricted cash and investments – current	6,047,370	8,286,547
Noncurrent cash and investments	36,279,285	21,148,046
Accrued investment income	92,597	200,593
	<u>\$ 64,697,716</u>	<u>\$ 58,247,985</u>

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### ***Investment Income***

Investment income for the years ended June 30, 2013 and 2012, consisted of:

	<b>2013</b>	<b>2012</b>
Interest and dividend income	\$ 639,113	\$ 732,624
Net decrease in fair value of investments	<u>(362,886)</u>	<u>(325,964)</u>
	<u><u>\$ 276,227</u></u>	<u><u>\$ 406,660</u></u>

### **Note 4: Patient Accounts Receivable**

The Authority grants credit without collateral to its patients, most of whom are residents of southwestern Oklahoma and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2013 and 2012, consisted of:

	<b>2013</b>	<b>2012</b>
Medicare	\$ 18,244,985	\$ 10,614,658
Medicaid	5,625,882	4,050,695
Other third-party payers	17,319,481	11,923,298
Patients	<u>34,709,699</u>	<u>40,820,577</u>
	<u>75,900,047</u>	<u>67,409,228</u>
Less allowance for uncollectible accounts	<u>35,893,000</u>	<u>37,530,000</u>
	<u><u>\$ 40,007,047</u></u>	<u><u>\$ 29,879,228</u></u>

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012, was:

	2013				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 3,602,948	\$ 92,136	\$ -	\$ -	\$ 3,695,084
Land improvements	8,260,929	4,930	-	-	8,265,859
Buildings, improvements and fixed equipment	136,334,865	341,452	(35,515)	515,304	137,156,106
Major moveable equipment	108,518,756	4,912,611	(10,989,022)	11,735,373	114,177,718
Construction in progress	5,544,301	13,407,291	-	(12,250,677)	6,700,915
	<u>262,261,799</u>	<u>18,758,420</u>	<u>(11,024,537)</u>	<u>-</u>	<u>269,995,682</u>
Less accumulated depreciation					
Land improvements	5,538,520	409,745	-	-	5,948,265
Buildings, improvements and fixed equipment	82,783,517	3,690,373	(19,277)	-	86,454,613
Major moveable equipment	79,412,149	7,440,579	(9,409,475)	-	77,443,253
	<u>167,734,186</u>	<u>11,540,697</u>	<u>(9,428,752)</u>	<u>-</u>	<u>169,846,131</u>
Capital assets, net	<u>\$ 94,527,613</u>	<u>\$ 7,217,723</u>	<u>\$ (1,595,785)</u>	<u>\$ -</u>	<u>\$ 100,149,551</u>

  

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 2,600,683	\$ 1,002,265	\$ -	\$ -	\$ 3,602,948
Land improvements	8,167,567	61,562	-	31,800	8,260,929
Buildings, improvements and fixed equipment	127,153,048	5,632,227	-	3,549,590	136,334,865
Major moveable equipment	100,734,290	4,796,357	(980,323)	3,968,432	108,518,756
Construction in progress	7,343,927	5,750,196	-	(7,549,822)	5,544,301
	<u>245,999,515</u>	<u>17,242,607</u>	<u>(980,323)</u>	<u>-</u>	<u>262,261,799</u>
Less accumulated depreciation					
Land improvements	5,264,085	274,435	-	-	5,538,520
Buildings, improvements and fixed equipment	79,115,875	3,659,105	-	8,537	82,783,517
Major moveable equipment	73,185,356	7,181,605	(946,275)	(8,537)	79,412,149
	<u>157,565,316</u>	<u>11,115,145</u>	<u>(946,275)</u>	<u>-</u>	<u>167,734,186</u>
Capital assets, net	<u>\$ 88,434,199</u>	<u>\$ 6,127,462</u>	<u>\$ (34,048)</u>	<u>\$ -</u>	<u>\$ 94,527,613</u>

# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

As part of an information technology (IT) system conversion in 2013, the Authority entered into a nonmonetary transaction related to the replacement of certain components of the IT system in the amount of approximately \$1,580,000. The loss related to this nonmonetary transaction was not material.

### **Note 6: Note Payable to Bank**

The Authority periodically borrows funds from banks on an interim basis to finance certain operating needs. The notes payable bear interest, are unsecured and mature in less than one year from issuance. During 2012, the Authority borrowed and repaid \$2,000,000. No borrowings occurred during 2013.

### **Note 7: 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, management believes the limit of liability for any individual tort claim would be limited to \$125,000 whether covered by insurance or not.

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 2013 and 2012, the Authority accrued approximately \$350,000 and \$465,000, respectively, based on its claims experience for these claims. These liabilities are included in accrued expenses on the accompanying balance sheets. It is reasonably possible that this estimate could change materially in the near term.

### **Note 8: 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

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.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

Activity in the Authority's accrued liability for self-insured plans, which are included in accrued expenses on the accompanying balance sheets, during the years ended June 30, 2013 and 2012, is summarized as follows:

	<b>2013</b>		
	<b>Employee Health and Dental Benefits</b>	<b>Short-Term Disability</b>	<b>Workers' Compensation</b>
Balance, beginning of year	\$ 1,467,307	\$ 85,264	\$ 1,166,549
Current year claims and changes in estimates	7,605,114	2,826	1,919,847
Claim payments, net of reinsurance	<u>(7,982,108)</u>	<u>(44,540)</u>	<u>(1,380,437)</u>
Balance, end of year	<u><u>\$ 1,090,313</u></u>	<u><u>\$ 43,550</u></u>	<u><u>\$ 1,705,959</u></u>

  

	<b>2012</b>		
	<b>Employee Health and Dental Benefits</b>	<b>Short-Term Disability</b>	<b>Workers' Compensation</b>
Balance, beginning of year	\$ 895,897	\$ 140,870	\$ 802,795
Current year claims and changes in estimates	7,038,093	46,327	1,590,893
Claim payments, net of reinsurance	<u>(6,466,683)</u>	<u>(101,933)</u>	<u>(1,227,139)</u>
Balance, end of year	<u><u>\$ 1,467,307</u></u>	<u><u>\$ 85,264</u></u>	<u><u>\$ 1,166,549</u></u>

In June 2012, the Oklahoma Workers' Compensation Court (OWCC) required the Authority to post collateral for self-insured claims in the form of a \$700,000 line of credit with a bank in the event the Authority was unable to pay its claims. No amounts were drawn on this line of credit.

In June 2013, the OWCC required the Authority to post collateral for self-insured claims in the form of a \$1,425,000 line of credit with a bank in the event the Authority was unable to pay its claims. As of the Independent Auditor's Report date, no amounts have been drawn on this line of credit.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### Note 9: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30, 2013 and 2012:

	2013				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2005 Revenue Bonds	\$ 33,741,635	\$ -	\$ (111,585)	\$ 33,630,050	\$ 111,585
Series 2004 Revenue Bonds	4,770,000	-	(2,325,000)	2,445,000	2,445,000
Series 2000B Revenue Bonds	24,070,000	-	(24,070,000)	-	-
Series 2012A Revenue Bonds	-	38,871,679	(91,740)	38,779,939	923,610
Series 2012B Revenue Bonds	-	9,830,000	-	9,830,000	-
Revenue refunding note	415,000	-	(275,000)	140,000	140,000
Notes payable to banks	16,377,899	-	(15,625,275)	752,624	261,652
Note payable to Comanche County Industrial Development Authority	179,415	-	(179,415)	-	-
Capital lease obligations	7,642,665	-	(3,087,215)	4,555,450	2,533,218
	87,196,614	48,701,679	(45,765,230)	90,133,063	6,415,065
Unamortized loss on bond refinancing	(935,002)	(1,023,857)	172,655	(1,786,204)	133,504
Total long-term debt	86,261,612	47,677,822	(45,592,575)	88,346,859	6,548,569
Net pension obligation	3,870,365	1,851,033	(2,488,215)	3,233,183	-
Total long-term obligations	<u>\$ 90,131,977</u>	<u>\$ 49,528,855</u>	<u>\$ (48,080,790)</u>	<u>\$ 91,580,042</u>	<u>\$ 6,548,569</u>

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2005 Revenue Bonds	\$ 33,853,220	\$ -	\$ (111,585)	\$ 33,741,635	\$ 111,585
Series 2004 Revenue Bonds	6,985,000	-	(2,215,000)	4,770,000	2,325,000
Series 2000B Revenue Bonds	24,660,000	-	(590,000)	24,070,000	625,000
Revenue refunding note	680,000	-	(265,000)	415,000	275,000
Notes payable to banks	1,271,980	15,360,771	(254,852)	16,377,899	1,398,599
Note payable to Comanche County Industrial Development Authority	337,165	-	(157,750)	179,415	-
Capital lease obligations	11,266,059	-	(3,623,394)	7,642,665	3,087,215
	79,053,424	15,360,771	(7,217,581)	87,196,614	7,822,399
Unamortized loss on bond refinancing	(1,087,773)	-	152,771	(935,002)	133,504
Total long-term debt	77,965,651	15,360,771	(7,064,810)	86,261,612	7,955,903
Net pension obligation	4,454,072	1,369,555	(1,953,262)	3,870,365	-
Total long-term obligations	<u>\$ 82,419,723</u>	<u>\$ 16,730,326</u>	<u>\$ (9,018,072)</u>	<u>\$ 90,131,977</u>	<u>\$ 7,955,903</u>

### 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.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

When the Series 2005 Revenue Bonds were issued, the bonds were sold at a premium of approximately \$1,506,000. At June 30, 2013 and 2012, the outstanding balance of the Series 2005 Revenue Bonds was as follows:

	<b>2013</b>	<b>2012</b>
Principal amount	\$ 32,970,000	\$ 32,970,000
Plus unamortized premium	<u>771,635</u>	<u>883,220</u>
Net amount outstanding	<u><u>\$ 33,741,635</u></u>	<u><u>\$ 33,853,220</u></u>

- 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. Subsequent to year-end, the Series 2004 Revenue Bonds were paid in full.
- 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. In December 2012, the Series 2000B Revenue Bonds were paid off using a portion of the proceeds provided by the Series 2012A Hospital Revenue Refunding Bonds (see below).
- Series 2012A Hospital Revenue Refunding Bonds (the Series 2012A Revenue Bonds), in the original amount of \$36,790,000 dated December 14, 2012, which bear interest at 3.00% to 5.00%, payable semiannually. Principal is payable in annual installments through July 2042. The principal of these bonds was split between the CCMH and MTNC. The allocation of the principal amounts and respective maturity dates related to CCMH and MTNC are as follows:

	<b>Principal Amount</b>	<b>Maturity Date</b>
Comanche County Memorial Hospital	\$ 24,765,000	July 2032
McMahon-Tomlinson Nursing Center	<u>12,025,000</u>	July 2042
	<u><u>\$ 36,790,000</u></u>	



# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

When the Series 2012A Revenue Bonds were issued, the bonds were sold at a premium of approximately \$2,162,000. At June 30, 2013, the outstanding balance of the Series 2012A Revenue Bonds was as follows:

Principal amount	\$ 36,790,000
Plus unamortized premium	<u>1,989,939</u>
Net amount outstanding	<u><u>\$ 38,779,939</u></u>

- Series 2012B Hospital Revenue Refunding Bonds (the Series 2012B Revenue Bonds), in the original amount of \$9,830,000 dated December 14, 2012, which bear interest at 3.43% to 5.90%, payable semiannually. Principal is payable in annual installments through July 2027 and was used to refund the remaining portion of the note payable to bank. The Authority is required to make monthly deposits to the 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, 2022, at a redemption price of 100%. 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 1.10 to 1.00, restrictions on incurrence of additional debt and maintaining a minimum days cash on hand.

In December 2012, the Authority issued the Series 2012A and Series 2012B Revenue Bonds in the aggregate amount of \$34,595,000 which, along with other available funds, were used to refund the outstanding Series 2000B Revenue Bonds and the note payable to bank entered into during 2012. Aggregate cash flows on the refunded Series 2000B Revenue Bonds and the note payable to bank from the refunding date through maturity of the Series 2012A and Series 2012B Revenue Bonds total approximately \$59,850,000 while aggregate cash flows for the Series 2012A and Series 2012B Revenue Bonds total approximately \$55,270,000 resulting in a positive net cash flow differential for the refunding transaction of approximately \$4,580,000. The economic gain (generally defined as the present value of the net cash flow discounted at the effective interest rate of the new debt) equals approximately \$3,450,000. The 2012 advance refunding transaction resulted in an accounting loss of approximately \$1,024,000, which is recorded as a reduction of the outstanding long-term debt on the accompanying balance sheets.

In prior years, the Hospital had advance refunded three different revenue bond issues and each of these advance refunding transactions resulted in extinguishment of debt since the Hospital was legally released from its obligation on those bond series.

The advance refunding mentioned above, including the current year refunding transaction, resulted in an accounting loss on the extinguishment of the long-term debt. This loss on refunding is shown as a reduction of the outstanding long-term debt on the accompanying balance sheets and is being amortized using the straight-line method over the life of the respective new bond issues.

# The Comanche County Hospital Authority

## Notes to Financial Statements

### June 30, 2013 and 2012

The debt service requirements as of June 30, 2013, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2014	\$ 7,026,153	\$ 3,480,195	\$ 3,545,958
2015	7,034,861	3,687,442	3,347,419
2016	7,027,587	3,859,013	3,168,574
2017	7,509,909	4,009,995	3,499,914
2018	7,488,947	4,185,278	3,303,669
2019–2023	39,594,751	26,604,188	12,990,563
2024–2028	23,203,661	15,959,785	7,243,876
2029–2033	18,603,722	15,483,663	3,120,059
2034–2038	5,140,435	4,123,191	1,017,244
2039–2043	<u>3,653,383</u>	<u>3,292,239</u>	<u>361,144</u>
	<u>\$ 126,283,409</u>	<u>\$ 84,684,989</u>	<u>\$ 41,598,420</u>

#### **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 13*) 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, 2013, included principal payments of \$140,000 and interest payments of \$3,080 to be paid during the year ended June 30, 2014.

#### **Notes Payable to Banks**

Notes payable to banks 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 5.0%, secured by facilities and improvements. The outstanding balance at June 30, 2013 and 2012, was \$752,624 and \$1,001,375, respectively.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

- 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 3.1%, secured by equipment. The outstanding balance at June 30, 2013 and 2012, was \$0 and \$15,753, respectively.
- Note payable dated June 1, 2012, and maturing June 1, 2017, in the original amount of \$15,360,771, with semiannual payments of principal and interest at 5.5%, secured by all assets of the Authority. The outstanding balance at June 30, 2013 and 2012, was \$0 and \$15,360,771, respectively, as the note was paid off using funds from both the Series 2012A and 2012B Revenue Bonds.

The debt service requirements for notes payable to banks as of June 30, 2013, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2014	\$ 293,766	\$ 261,652	\$ 32,114
2015	293,766	275,222	18,544
2016	220,330	215,750	4,580
	<u>\$ 807,862</u>	<u>\$ 752,624</u>	<u>\$ 55,238</u>

### **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 2013 and 2012 by CCIDA were \$179,415 and \$157,750, respectively. As of June 30, 2013, the Hospital had satisfied the requirements to reduce the repayment of this note entirely.

### **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, 2013 and 2012, consisted of the following:

	2013	2012
Capital assets, cost	\$ 22,513,555	\$ 19,019,488
Held in escrow for equipment purchase	-	3,494,067
	<u>22,513,555</u>	<u>22,513,555</u>
Less accumulated depreciation	<u>11,488,707</u>	<u>8,342,885</u>
	<u>\$ 11,024,848</u>	<u>\$ 14,170,670</u>

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 2.35% to 5.84% together with the present value of the future minimum lease payments as of June 30, 2013:

<b>Year Ending June 30,</b>	
2014	\$ 2,636,340
2015	1,629,945
2016	<u>424,298</u>
Total minimum lease payments	4,690,583
Less amount representing interest	<u>135,133</u>
Present value of future minimum lease payments	<u><u>\$ 4,555,450</u></u>

### Note 10: 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:

	<b>2013</b>	<b>2012</b>
Charity allowances	\$ 5,391,000	\$ 6,507,000
State Medicaid and other public aid programs	<u>41,549,000</u>	<u>45,982,000</u>
	<u><u>\$ 46,940,000</u></u>	<u><u>\$ 52,489,000</u></u>

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.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### Note 11: 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 2013 and 2012 were as follows:

	<b>2013</b>	<b>2012</b>
Annual required contributions	\$ 2,090,149	\$ 1,606,845
Interest on net pension obligation	270,926	311,785
Adjustment to annual required contribution	(510,042)	(549,075)
Annual pension cost	1,851,033	1,369,555
Contributions made	(2,488,215)	(1,953,262)
Decrease in net pension obligation	(637,182)	(583,707)
Net pension obligation, beginning of year	3,870,365	4,454,072
Net pension obligation, end of year	<u>\$ 3,233,183</u>	<u>\$ 3,870,365</u>

The annual required contributions for 2013 and 2012 was determined as part of actuarial valuations on July 1, 2012 and 2011, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions included 7.0% investment rate of return (net of administrative expenses), projected salary increases of 3.0% 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, 2012, was 30 years for the retirement plan and 10 years for the supplemental plan.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

Effective June 30, 2004, the plan was amended to provide benefits payable on the earlier of the plan member's 65<sup>th</sup> 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
June 30, 2013	\$ 1,851,033	134%	\$ 3,233,183
June 30, 2012	\$ 1,369,555	143%	\$ 3,870,365
June 30, 2011	\$ 2,034,894	51%	\$ 4,454,072

### Funding Status and Funding Progress

The following is funded status information as of July 1, 2012, 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
\$ 32,539,848	\$ 42,073,852	\$ 9,534,004	77.3%	\$ 55,557,533	17.2%

The accompanying schedules 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: 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 11*) 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.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

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. There is no publicly available financial report for the postemployment health plan.

### ***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, 2012, no 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 Governmental Accounting Standards Board (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:

	<b>2013</b>	<b>2012</b>
Normal cost	\$ (25,857)	\$ (25,277)
Amortization of UAAL	<u>36,383</u>	<u>36,383</u>
Annual required contribution	10,526	11,106
Interest on prior year net OPEB obligation	11,687	12,142
Adjustment to annual required contribution	<u>10,041</u>	<u>7,222</u>
Annual OPEB cost	32,254	30,470
Contributions made	<u>(41,976)</u>	<u>(47,997)</u>
Increase in net OPEB obligation	(9,722)	(17,527)
Net OPEB obligation, beginning of year	<u>268,675</u>	<u>286,202</u>
Net OPEB obligation, end of year	<u>\$ 258,953</u>	<u>\$ 268,675</u>

The annual required contributions for 2013 and 2012 were determined as part of actuarial valuations on July 1, 2012 and 2011, respectively, 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 July 1, 2012, was 10 years. The net OPEB obligation is included in accrued liabilities on the accompanying financial statements at June 30, 2013 and 2012.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### Trend Information

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 32,254	130%	\$ 258,953
June 30, 2012	\$ 30,470	158%	\$ 268,675
June 30, 2011	\$ 30,808	0%	\$ 286,202

### Funded Status and Funding Progress

The following is funded status information as of July 1, 2012, 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
\$ -	\$ 258,953	\$ 258,953	0.0%	\$ 2,513,989	10.3%

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

### Note 13: 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 9*) with a pledge of the appropriations.



# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### **Note 14: Related-Party Information**

#### ***Comanche County Hospital 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. At June 30, 2013 and 2012, there were no significant amounts due to or from the Foundation as a result of these purchases and services.

The Foundation raises contributions for operating and capital donations to CCMH. Included in capital grants and gifts on the accompanying statements of revenues, expenses and changes in net position are \$69,000 and \$64,000 for the years ended June 30, 2013 and 2012, respectively.

#### ***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, 2013 and 2012, the Authority recorded revenue from CCSO in the amounts of approximately \$4,810,000 and \$5,720,000, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2013 and 2012, CCSO owed the Authority \$872,560 and \$1,627,965, 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, 2013 and 2012, the Authority incurred approximately \$12,160,000 and \$13,470,000, respectively, of expense and owed CCSO \$2,311,132 and \$2,603,216 at June 30, 2013 and 2012, respectively, related to these services. These amounts are included in the accompanying balance sheets in due to related parties.

### **Note 15: 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 \$2,205,904 and \$1,868,176 at June 30, 2013 and 2012, 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.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

Financial position and results of operations summarized from CCSO's audited financial statements for the fiscal years ended June 30, 2013 and 2012, are shown below:

	<b>2013</b>	<b>2012</b>
Current assets	\$ 8,912,974	\$ 7,566,796
Capital assets and other long-term assets, net	<u>25,865,391</u>	<u>28,275,673</u>
Total assets	34,778,365	35,842,469
Total liabilities	<u>29,952,225</u>	<u>31,755,247</u>
Net position	<u>\$ 4,826,140</u>	<u>\$ 4,087,222</u>
Operating revenues	<u>\$ 21,494,701</u>	<u>\$ 23,280,917</u>
Deficiency of revenues over expenses	<u>\$ (2,311,082)</u>	<u>\$ (2,347,879)</u>

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

### Note 16: Business Combinations

On May 31, 2012, the Authority acquired the operations of The Heart & Vascular Center LLC (HVC). HVC is a laboratory that performs catheterization services in the Lawton, Oklahoma, area. As a result of the acquisition, the Authority will have an opportunity to increase procedure volumes.

The goodwill of \$7,362,565 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Authority and the catheterization labs. The goodwill is being amortized on a straight-line basis over 15 years.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

The following table summarizes the consideration paid for the catheterization labs and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

### Fair Value of Consideration Transferred

Cash paid	<u>\$ 15,360,771</u>
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### Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed

Current assets	1,249,782
Capital assets	6,482,792
Other noncurrent assets	-
Identifiable intangible assets	426,950
Current liabilities	<u>(161,318)</u>

Total identifiable net assets	<u>7,998,206</u>
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Goodwill	<u><u>\$ 7,362,565</u></u>
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Included in the purchase and sale agreement are certain performance requirements of the HVC physician group. The requirements of the agreement stipulate the HVC physician group will produce a minimum of 348,000 Work Relative Value Units (WRVU) over the 36 months following the acquisition date. If the minimum WRVU level is reached, the Authority will be required to make a payment of approximately \$2,378,000 to the physician group at that time. If after 36 months the completed WRVU is less than the required minimum, the HVC physician group will owe the Authority a penalty based on the actual WRVU production shortfall times a multiple of \$105.

## Note 17: 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.

# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### **Note 18: McMahon Foundation Grant**

During 2012, MTNC received notice of a grant of \$1,500,000 from the McMahon Foundation. An initial payment of \$500,000 was received during fiscal 2012 and \$673,000 during 2013. It is expected the remaining amounts will be received in fiscal 2014 and are recorded as contributions receivable in the accompanying balance sheets. Because the grant is restricted by the McMahon Foundation for use in constructing a replacement facility, the entire amount of the grant is included in capital grants and gifts in the accompanying statements of revenues, expenses and changes in net position in 2012. During 2013, MTNC spent approximately \$759,000 of the grant proceeds on capital additions. The unspent portion of the grant amount is included as restricted net position – expendable for capital acquisitions in the accompanying balance sheets.

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

### Note 19: Combining Component Unit Information

As discussed in *Note 1*, the Authority consists of the operations of CCMH, MTNC and LCHC, all of which are operating divisions of the Authority. Tillman is a component unit of the Authority. In the following combining tables, the Authority amounts include CCMH, MTNC and LCHC.

The following tables include combining balance sheet information for the Authority and its component unit as of June 30, 2013 and 2012.

June 30, 2013				
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 17,680,762	\$ 2,468,933	\$ -	\$ 20,149,695
Short-term investments	1,001,710	1,127,059	-	2,128,769
Restricted cash and investments – current	5,951,977	95,393	-	6,047,370
Patient accounts receivable, net	39,178,106	828,941	-	40,007,047
Accrued investment income	92,597	-	-	92,597
Due from related parties	1,354,249	-	(481,689)	872,560
Other current assets	9,436,192	527,995	-	9,964,187
Total current assets	74,695,593	5,048,321	(481,689)	79,262,225
<b>Noncurrent Cash and Investments</b>	36,279,285	-	-	36,279,285
<b>Capital Assets, Net</b>	98,028,971	2,120,580	-	100,149,551
<b>Other Assets</b>				
Deferred financing costs	1,373,778	1,150	-	1,374,928
Investment in joint venture	2,205,904	-	-	2,205,904
Goodwill	6,830,824	-	-	6,830,824
Other	12,764,661	-	(8,031,536)	4,733,125
	23,175,167	1,150	(8,031,536)	15,144,781
Total assets	\$ 232,179,016	\$ 7,170,051	\$ (8,513,225)	\$ 230,835,842

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

June 30, 2013				
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 6,408,569	\$ 140,000	\$ -	\$ 6,548,569
Accounts payable	22,967,919	511,737	(241,883)	23,237,773
Accrued expenses	16,379,013	377,100	-	16,756,113
Accrued interest payable	2,094,605	2,048	-	2,096,653
Due to related parties	2,550,938	-	(239,806)	2,311,132
Estimated amounts due to third-party payers	1,589,366	1,712	-	1,591,078
Total current liabilities	51,990,410	1,032,597	(481,689)	52,541,318
<b>Due to Related Party</b>	8,031,536	-	(8,031,536)	-
<b>Long-Term Debt</b>	81,798,290	-	-	81,798,290
<b>Long-Term Net Pension Obligation</b>	3,233,183	-	-	3,233,183
Total liabilities	145,053,419	1,032,597	(8,513,225)	137,572,791
<b>Net Position</b>				
Net investment in capital assets	32,883,542	1,981,730	-	34,865,272
Restricted – expendable for				
Debt service	3,359,373	93,345	-	3,452,718
Capital acquisitions	740,876	-	-	740,876
Unrestricted	50,141,806	4,062,379	-	54,204,185
Total net position	87,125,597	6,137,454	-	93,263,051
Total liabilities and net position	\$ 232,179,016	\$ 7,170,051	\$ (8,513,225)	\$ 230,835,842

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

June 30, 2012				
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 19,495,453	\$ 517,900	\$ -	\$ 20,013,353
Short-term investments	7,379,833	1,219,613	-	8,599,446
Restricted cash and investments – current	8,190,429	96,118	-	8,286,547
Patient accounts receivable, net	28,799,107	1,080,121	-	29,879,228
Accrued investment income	200,593	-	-	200,593
Due from related parties	2,261,688	-	(633,949)	1,627,739
Other current assets	9,257,865	453,555	-	9,711,420
Total current assets	75,584,968	3,367,307	(633,949)	78,318,326
<b>Noncurrent Cash and Investments</b>	20,337,212	810,834	-	21,148,046
<b>Capital Assets, Net</b>	91,944,648	2,582,965	-	94,527,613
<b>Contribution Receivable</b>	500,000	-	-	500,000
<b>Other Assets</b>				
Deferred financing costs	1,572,768	6,863	-	1,579,631
Investment in joint venture	1,868,176	-	-	1,868,176
Goodwill	7,319,289	-	-	7,319,289
Other	10,544,029	-	(6,637,181)	3,906,848
	21,304,262	6,863	(6,637,181)	14,673,944
Total assets	<u>\$ 209,671,090</u>	<u>\$ 6,767,969</u>	<u>\$ (7,271,130)</u>	<u>\$ 209,167,929</u>

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

June 30, 2012				
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 7,597,914	\$ 357,989	\$ -	\$ 7,955,903
Accounts payable	10,985,399	356,433	(314,915)	11,026,917
Accrued expenses	14,931,975	373,322	-	15,305,297
Accrued interest payable	1,816,607	6,087	-	1,822,694
Due to related parties	2,922,250	-	(319,034)	2,603,216
Estimated amounts due to third-party payers	2,871,139	2,684	-	2,873,823
Total current liabilities	41,125,284	1,096,515	(633,949)	41,587,850
<b>Due to Related Party</b>	6,637,181	-	(6,637,181)	-
<b>Long-Term Debt</b>	78,165,709	140,000	-	78,305,709
<b>Long-Term Net Pension Obligation</b>	3,870,365	-	-	3,870,365
Total liabilities	129,798,539	1,236,515	(7,271,130)	123,763,924
<b>Net Position</b>				
Net investment in capital assets	21,838,421	2,091,839	-	23,930,260
Restricted – expendable for				
Debt service	6,305,773	90,031	-	6,395,804
Capital acquisitions	1,500,000	-	-	1,500,000
Unrestricted	50,228,357	3,349,584	-	53,577,941
Total net position	79,872,551	5,531,454	-	85,404,005
Total liabilities and net position	\$ 209,671,090	\$ 6,767,969	\$ (7,271,130)	\$ 209,167,929



# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

The following tables include condensed combining statements of revenues, expenses and changes in net position for the Authority and its component unit for the years ended June 30, 2013 and 2012.

	Year Ended June 30, 2013			
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts	\$ 229,584,054	\$ 7,205,852	\$ -	\$ 236,789,906
Grant revenue	763,722	-	-	763,722
Other	4,372,936	1,524,922	(75,183)	5,822,675
Total operating revenues	234,720,712	8,730,774	(75,183)	243,376,303
<b>Operating Expenses</b>				
Salaries, wages and employee benefits	110,263,748	4,845,183	-	115,108,931
Purchased services and professional fees	45,198,410	1,131,556	(18,000)	46,311,966
Medical supplies and drugs	34,927,575	726,253	-	35,653,828
Other operating expenses	21,310,166	1,117,887	(57,183)	22,370,870
Depreciation and amortization	11,748,830	546,410	-	12,295,240
Total operating expenses	223,448,729	8,367,289	(75,183)	231,740,835
<b>Operating Income</b>	11,271,983	363,485	-	11,635,468
<b>Nonoperating Revenues (Expenses)</b>				
City appropriations – unrestricted	-	233,950	-	233,950
Noncapital grants and gifts	528,675	-	-	528,675
Loss on investment in equity investee	(1,056,627)	-	-	(1,056,627)
Investment income	254,912	21,315	-	276,227
Interest expense	(3,823,261)	(12,750)	-	(3,836,011)
Total nonoperating revenues (expenses)	(4,096,301)	242,515	-	(3,853,786)
<b>Excess of Revenues over Expenses Before Capital Grants and Gifts</b>	7,175,682	606,000	-	7,781,682
<b>Capital Grants and Gifts</b>	77,364	-	-	77,364
<b>Increase in Net Position</b>	7,253,046	606,000	-	7,859,046
<b>Net Position, Beginning of Year</b>	79,872,551	5,531,454	-	85,404,005
<b>Net Position, End of Year</b>	\$ 87,125,597	\$ 6,137,454	\$ -	\$ 93,263,051

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

	Year Ended June 30, 2012			
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts	\$ 214,451,090	\$ 7,961,748	\$ -	\$ 222,412,838
Grant revenue	709,159	-	-	709,159
Other	3,914,692	370,679	(75,183)	4,210,188
Total operating revenues	219,074,941	8,332,427	(75,183)	227,332,185
<b>Operating Expenses</b>				
Salaries, wages and employee benefits	102,477,928	4,686,884	-	107,164,812
Purchased services and professional fees	43,642,422	1,111,297	(18,000)	44,735,719
Medical supplies and drugs	32,659,113	747,595	-	33,406,708
Other operating expenses	20,178,650	1,047,637	(57,183)	21,169,104
Depreciation and amortization	10,868,381	602,978	-	11,471,359
Total operating expenses	209,826,494	8,196,391	(75,183)	217,947,702
<b>Operating Income</b>	9,248,447	136,036	-	9,384,483
<b>Nonoperating Revenues (Expenses)</b>				
City appropriations – unrestricted	-	225,479	-	225,479
Noncapital grants and gifts	524,552	-	-	524,552
Loss on investment in equity investee	(1,073,450)	-	-	(1,073,450)
Investment income	369,984	36,676	-	406,660
Interest expense	(3,746,154)	(29,126)	-	(3,775,280)
Total nonoperating revenues (expenses)	(3,925,068)	233,029	-	(3,692,039)
<b>Excess of Revenues over Expenses Before Capital Grants and Gifts</b>	5,323,379	369,065	-	5,692,444
<b>Capital Grants and Gifts</b>	1,575,036	-	-	1,575,036
<b>Increase in Net Position</b>	6,898,415	369,065	-	7,267,480
<b>Net Position, Beginning of Year</b>	72,974,136	5,162,389	-	78,136,525
<b>Net Position, End of Year</b>	\$ 79,872,551	\$ 5,531,454	\$ -	\$ 85,404,005

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

The following tables include condensed combining statements of cash flow information for the Authority and its component unit for the years ended June 30, 2013 and 2012.

	Year Ended June 30, 2013			
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
<b>Net Cash Provided by Operating Activities</b>	\$ 23,893,065	\$ 1,245,220	\$ -	\$ 25,138,285
<b>Net Cash Provided by Noncapital Financing Activities</b>	349,260	233,950	-	583,210
<b>Net Cash Used in Capital and Related Financing Activities</b>	(17,700,071)	(380,485)	-	(18,080,556)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(14,358,069)</u>	<u>851,623</u>	<u>-</u>	<u>(13,506,446)</u>
<b>Change in Cash and Cash Equivalents</b>	(7,815,815)	1,950,308	-	(5,865,507)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>30,986,273</u>	<u>614,018</u>	<u>-</u>	<u>31,600,291</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 23,170,458</u>	<u>\$ 2,564,326</u>	<u>\$ -</u>	<u>\$ 25,734,784</u>

# The Comanche County Hospital Authority

## Notes to Financial Statements

June 30, 2013 and 2012

	Year Ended June 30, 2012			
	The Comanche County Hospital Authority	Tillman County – City of Frederick Hospital Authority	Eliminations	Combined Balance
Net Cash Provided by Operating Activities	\$ 19,744,869	\$ 374,434	\$ -	\$ 20,119,303
Net Cash Provided by (Used in) Noncapital Financing Activities	(5,216)	225,479	-	220,263
Net Cash Used in Capital and Related Financing Activities	(3,742,331)	(749,190)	-	(4,491,521)
Net Cash Provided by (Used in) Investing Activities	<u>(14,013,698)</u>	<u>206,229</u>	<u>-</u>	<u>(13,807,469)</u>
Change in Cash and Cash Equivalents	1,983,624	56,952	-	2,040,576
Cash and Cash Equivalents, Beginning of Year	<u>29,002,649</u>	<u>557,066</u>	<u>-</u>	<u>29,559,715</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,986,273</u>	<u>\$ 614,018</u>	<u>\$ -</u>	<u>\$ 31,600,291</u>

### Note 20: Subsequent Event

In October 2013, the Authority finalized a loan agreement with a bank for the purpose of building a new emergency department. The loan includes two separate agreements. The first agreement has an original amount of \$9,000,000 and is due January 1, 2018, with principal of \$1,125,000 and related interest at 3.875% payable semiannually. The second agreement has an original amount of \$18,000,000 and is due January 1, 2024, with principal of \$1,500,000 and related interest payable semiannually. The agreement includes fixed interest of 3.875% from the date of issuance through December 31, 2018. On January 1, 2019, the interest rate changes to a variable rate based on the existing Treasury Rate plus 2.5%, with a floor of 3.5%. Both individual loan agreements are secured by all the assets of the Authority.

# **The Comanche County Hospital Authority**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### **Note 21: Future Changes in Accounting Principles**

GASB recently issued its Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 requires recognition of certain items previously reported as assets and liabilities as deferred inflows or deferred outflows of resources. The Authority expects to first apply GASB No. 65 during the year ending June 30, 2014, using a retrospective recognition method. The primary impact of applying GASB No. 65 for the Authority will be to remove deferred financing costs from the balance sheets and to reclassify the unamortized losses of bond refinancing from a reduction of long-term debt to a deferred outflow of resources. The estimated impact on the net position of the Authority is a reduction of approximately \$1,580,000 as of July 1, 2012.

Additionally, GASB also recently issued its Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB No. 68 requires recognition of the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Authority expects to first apply GASB No. 68 during the year ending June 30, 2015, using a retrospective recognition method. The impact of applying GASB No. 68 has not been determined but is likely to reduce the Authority's net position on the balance sheet by an amount estimated to be between \$7,000,000 and \$10,000,000.

# The Comanche County Hospital Authority

## Required Supplementary Information

### Schedules of Funding Progress

June 30, 2013

#### *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
7/1/2012	\$ 32,539,848	\$ 42,073,852	\$ 9,534,004	77.3%	\$ 55,557,533	17.2%
7/1/2011	\$ 31,697,535	\$ 39,815,033	\$ 8,117,498	79.6%	\$ 48,626,270	16.7%
7/1/2010	\$ 23,878,170	\$ 39,238,359	\$ 15,360,189	60.9%	\$ 54,634,231	28.1%

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
7/1/2012	\$ -	\$ 258,953	\$ 258,953	0.0%	\$ 2,513,989	10.3%
7/1/2011	\$ -	\$ 268,675	\$ 268,675	0.0%	\$ 2,110,847	12.7%
7/1/2010	\$ -	\$ 286,202	\$ 286,202	0.0%	\$ 1,743,763	16.4%

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, 2013**

	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
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ -	\$ 15,092,095	\$ 1,649,710	\$ 2,468,933	\$ 938,957	\$ -	\$ 20,149,695
Short-term investments	-	1,001,710	-	1,127,059	-	-	2,128,769
Restricted cash and investments – current	-	5,489,679	462,298	95,393	-	-	6,047,370
Patient accounts receivable, net	-	38,685,750	363,433	828,941	128,923	-	40,007,047
Accrued investment income	-	84,383	8,214	-	-	-	92,597
Due from related parties	-	1,354,249	-	-	-	(481,689)	872,560
Contribution receivable	-	-	327,000	-	-	-	327,000
Supplies	-	5,020,982	25,230	187,096	-	-	5,233,308
Prepaid expenses and other	-	3,969,153	23,481	340,899	70,346	-	4,403,879
Total current assets	-	70,698,001	2,859,366	5,048,321	1,138,226	(481,689)	79,262,225
<b>Noncurrent Cash and Investments</b>							
Held by trustee for debt service	-	7,690,986	2,032,684	95,393	-	-	9,819,063
Held in escrow for capital acquisitions	-	-	8,791,389	-	-	-	8,791,389
	-	7,690,986	10,824,073	95,393	-	-	18,610,452
Less amount required to meet current obligations	-	5,489,679	462,298	95,393	-	-	6,047,370
	-	2,201,307	10,361,775	-	-	-	12,563,082
Other long-term investments	-	21,205,539	2,510,664	-	-	-	23,716,203
	-	23,406,846	12,872,439	-	-	-	36,279,285
<b>Capital Assets, Net</b>	-	91,636,263	5,873,509	2,120,580	519,199	-	100,149,551
<b>Other Assets</b>							
Deferred financing costs	-	1,265,279	108,499	1,150	-	-	1,374,928
Investment in joint venture	2,205,904	-	-	-	-	-	2,205,904
Goodwill	-	6,830,824	-	-	-	-	6,830,824
Other	-	12,764,661	-	-	-	(8,031,536)	4,733,125
	2,205,904	20,860,764	108,499	1,150	-	(8,031,536)	15,144,781
Total assets	\$ 2,205,904	\$ 206,601,874	\$ 21,713,813	\$ 7,170,051	\$ 1,657,425	\$ (8,513,225)	\$ 230,835,842

# **Liabilities and Net Position**

	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
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ -	\$ 6,221,055	\$ 187,514	\$ 140,000	\$ -	\$ -	\$ 6,548,569
Accounts payable	-	22,602,931	339,875	511,737	25,113	(241,883)	23,237,773
Accrued expenses	-	15,726,850	652,163	377,100	-	-	16,756,113
Accrued interest payable	-	1,807,369	287,236	2,048	-	-	2,096,653
Due to related parties	-	2,346,719	-	-	204,219	(239,806)	2,311,132
Estimated amounts due to third-party payers	-	1,589,366	-	1,712	-	-	1,591,078
Total current liabilities	-	50,294,290	1,466,788	1,032,597	229,332	(481,689)	52,541,318
<b>Due to Related Party</b>	8,031,536	-	-	-	-	(8,031,536)	-
<b>Long-Term Debt</b>	-	69,733,310	12,064,980	-	-	-	81,798,290
<b>Long-Term Net Pension Obligation</b>	-	3,233,183	-	-	-	-	3,233,183
Total liabilities	8,031,536	123,260,783	13,531,768	1,032,597	229,332	(8,513,225)	137,572,791
<b>Net Position</b>							
Net investment in capital assets	-	28,273,054	4,091,289	1,981,730	519,199	-	34,865,272
Restricted – expendable for							
Debt service	-	3,184,311	175,062	93,345	-	-	3,452,718
Capital acquisitions	-	-	740,876	-	-	-	740,876
Unrestricted	(5,825,632)	51,883,726	3,174,818	4,062,379	908,894	-	54,204,185
Total net position	(5,825,632)	83,341,091	8,182,045	6,137,454	1,428,093	-	93,263,051
Total liabilities and net position	\$ 2,205,904	\$ 206,601,874	\$ 21,713,813	\$ 7,170,051	\$ 1,657,425	\$ (8,513,225)	\$ 230,835,842



**The Comanche County Hospital Authority**  
**Combining Schedule – Balance Sheet Information**  
**June 30, 2012**

	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
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ -	\$ 16,684,295	\$ 2,355,698	\$ 517,900	\$ 455,460	\$ -	\$ 20,013,353
Short-term investments	-	6,595,635	784,198	1,219,613	-	-	8,599,446
Restricted cash and investments – current	-	8,190,429	-	96,118	-	-	8,286,547
Patient accounts receivable, net	-	28,164,872	280,969	1,080,121	353,266	-	29,879,228
Accrued investment income	-	187,877	12,716	-	-	-	200,593
Due from related parties	-	2,261,688	-	-	-	(633,949)	1,627,739
Contribution receivable	-	-	500,000	-	-	-	500,000
Supplies	-	4,881,069	14,017	224,874	7,116	-	5,127,076
Prepaid expenses and other	-	3,769,369	22,337	228,681	63,957	-	4,084,344
Total current assets	-	70,735,234	3,969,935	3,367,307	879,799	(633,949)	78,318,326
<b>Noncurrent Cash and Investments</b>							
Held by trustee for debt service	-	10,261,333	-	96,118	-	-	10,357,451
Held in escrow for capital acquisitions	-	3,494,067	-	-	-	-	3,494,067
	-	13,755,400	-	96,118	-	-	13,851,518
Less amount required to meet current obligations	-	8,190,429	-	96,118	-	-	8,286,547
	-	5,564,971	-	-	-	-	5,564,971
Other long-term investments	-	13,296,319	1,475,922	810,834	-	-	15,583,075
	-	18,861,290	1,475,922	810,834	-	-	21,148,046
<b>Capital Assets, Net</b>	-	88,199,540	3,227,471	2,582,965	517,637	-	94,527,613
<b>Contribution Receivable</b>	-	-	500,000	-	-	-	500,000
<b>Other Assets</b>							
Deferred financing costs	-	1,572,768	-	6,863	-	-	1,579,631
Investment in joint venture	1,868,176	-	-	-	-	-	1,868,176
Goodwill	-	7,319,289	-	-	-	-	7,319,289
Other	-	10,544,029	-	-	-	(6,637,181)	3,906,848
	1,868,176	19,436,086	-	6,863	-	(6,637,181)	14,673,944
Total assets	\$ 1,868,176	\$ 197,232,150	\$ 9,173,328	\$ 6,767,969	\$ 1,397,436	\$ (7,271,130)	\$ 209,167,929

## Liabilities and Net Position

	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
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ -	\$ 7,597,914	\$ -	\$ 357,989	\$ -	\$ -	\$ 7,955,903
Accounts payable	-	10,636,085	319,841	356,433	29,473	(314,915)	11,026,917
Accrued expenses	-	14,512,880	419,095	373,322	-	-	15,305,297
Accrued interest payable	-	1,816,607	-	6,087	-	-	1,822,694
Due to related parties	-	2,646,853	-	-	275,397	(319,034)	2,603,216
Estimated amounts due to third-party payers	-	2,871,139	-	2,684	-	-	2,873,823
Total current liabilities	-	40,081,478	738,936	1,096,515	304,870	(633,949)	41,587,850
<b>Due to Related Party</b>	6,637,181	-	-	-	-	(6,637,181)	-
<b>Long-Term Debt</b>	-	78,165,709	-	140,000	-	-	78,305,709
<b>Long-Term Net Pension Obligation</b>	-	3,870,365	-	-	-	-	3,870,365
Total liabilities	6,637,181	122,117,552	738,936	1,236,515	304,870	(7,271,130)	123,763,924
<b>Net Position</b>							
Net investment in capital assets	-	18,093,313	3,227,471	2,091,839	517,637	-	23,930,260
Restricted – expendable for							
Debt service	-	6,305,773	-	90,031	-	-	6,395,804
Capital acquisitions	-	-	1,500,000	-	-	-	1,500,000
Unrestricted	(4,769,005)	50,715,512	3,706,921	3,349,584	574,929	-	53,577,941
Total net position	(4,769,005)	75,114,598	8,434,392	5,531,454	1,092,566	-	85,404,005
Total liabilities and net position	\$ 1,868,176	\$ 197,232,150	\$ 9,173,328	\$ 6,767,969	\$ 1,397,436	\$ (7,271,130)	\$ 209,167,929

# The Comanche County Hospital Authority

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

### Year Ended June 30, 2013

	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
<b>Operating Revenues</b>							
Net patient service revenue, net of provision for uncollectible accounts	\$ -	\$ 222,452,257	\$ 5,429,956	\$ 7,205,852	\$ 1,701,841	\$ -	\$ 236,789,906
Grant revenue	-	-	-	-	763,722	-	763,722
Other	-	4,264,754	1,932	1,524,922	106,250	(75,183)	5,822,675
Total operating revenues	-	226,717,011	5,431,888	8,730,774	2,571,813	(75,183)	243,376,303
<b>Operating Expenses</b>							
Salaries and wages	-	89,005,916	2,843,936	3,963,137	1,196,389	-	97,009,378
Employee benefits	-	16,028,433	999,759	882,046	189,315	-	18,099,553
Purchased services and professional fees	-	44,550,793	197,920	1,131,556	449,697	(18,000)	46,311,966
Medical supplies and drugs	-	34,748,108	105,900	726,253	73,567	-	35,653,828
Supplies and other	-	18,406,579	1,316,881	993,214	257,847	(57,183)	20,917,338
Insurance	-	1,288,663	30,017	124,198	2,504	-	1,445,382
Depreciation and amortization	-	11,471,609	206,495	546,410	70,726	-	12,295,240
Loss on sale of capital assets	-	5,008	-	475	2,667	-	8,150
Total operating expenses	-	215,505,109	5,700,908	8,367,289	2,242,712	(75,183)	231,740,835
<b>Operating Income (Loss)</b>	-	11,211,902	(269,020)	363,485	329,101	-	11,635,468
<b>Nonoperating Revenues (Expenses)</b>							
City appropriations – unrestricted	-	-	-	233,950	-	-	233,950
Noncapital grants and gifts	-	526,345	-	-	2,330	-	528,675
Loss on investment in equity investee	(1,056,627)	-	-	-	-	-	(1,056,627)
Investment income	-	234,143	16,673	21,315	4,096	-	276,227
Interest expense	-	(3,823,261)	-	(12,750)	-	-	(3,836,011)
Total nonoperating revenues (expenses)	(1,056,627)	(3,062,773)	16,673	242,515	6,426	-	(3,853,786)
<b>Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts</b>	(1,056,627)	8,149,129	(252,347)	606,000	335,527	-	7,781,682
<b>Capital Grants and Gifts</b>	-	77,364	-	-	-	-	77,364
<b>Increase (Decrease) in Net Position</b>	(1,056,627)	8,226,493	(252,347)	606,000	335,527	-	7,859,046
<b>Net Position, Beginning of Year</b>	(4,769,005)	75,114,598	8,434,392	5,531,454	1,092,566	-	85,404,005
<b>Net Position, End of Year</b>	\$ (5,825,632)	\$ 83,341,091	\$ 8,182,045	\$ 6,137,454	\$ 1,428,093	\$ -	\$ 93,263,051

# The Comanche County Hospital Authority

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

### Year Ended June 30, 2012

	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
<b>Operating Revenues</b>							
Net patient service revenue, net of provision for uncollectible accounts	\$ -	\$ 207,787,942	\$ 4,858,838	\$ 7,961,748	\$ 1,804,310	\$ -	\$ 222,412,838
Grant revenue	-	-	-	-	709,159	-	709,159
Other	-	3,912,034	2,658	370,679	-	(75,183)	4,210,188
Total operating revenues	-	211,699,976	4,861,496	8,332,427	2,513,469	(75,183)	227,332,185
<b>Operating Expenses</b>							
Salaries and wages	-	83,163,549	2,594,821	3,808,024	1,262,173	-	90,828,567
Employee benefits	-	14,322,151	922,611	878,860	212,623	-	16,336,245
Purchased services and professional fees	-	42,973,697	274,399	1,111,297	394,326	(18,000)	44,735,719
Medical supplies and drugs	-	32,482,748	87,692	747,595	88,673	-	33,406,708
Supplies and other	-	17,255,602	1,170,475	928,689	270,669	(57,183)	19,568,252
Insurance	-	1,371,800	58,095	118,948	17,961	-	1,566,804
Depreciation and amortization	-	10,568,282	234,258	602,978	65,841	-	11,471,359
Loss on sale of capital assets	-	34,048	-	-	-	-	34,048
Total operating expenses	-	202,171,877	5,342,351	8,196,391	2,312,266	(75,183)	217,947,702
<b>Operating Income (Loss)</b>	-	9,528,099	(480,855)	136,036	201,203	-	9,384,483
<b>Nonoperating Revenues (Expenses)</b>							
City appropriations – unrestricted	-	-	-	225,479	-	-	225,479
Noncapital grants and gifts	-	497,793	-	-	26,759	-	524,552
Loss on investment in equity investee	(1,073,450)	-	-	-	-	-	(1,073,450)
Investment income	-	334,182	32,672	36,676	3,130	-	406,660
Interest expense	-	(3,746,154)	-	(29,126)	-	-	(3,775,280)
Total nonoperating revenues (expenses)	(1,073,450)	(2,914,179)	32,672	233,029	29,889	-	(3,692,039)
<b>Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts</b>	(1,073,450)	6,613,920	(448,183)	369,065	231,092	-	5,692,444
<b>Capital Grants and Gifts</b>	-	75,036	1,500,000	-	-	-	1,575,036
<b>Increase (Decrease) in Net Position</b>	(1,073,450)	6,688,956	1,051,817	369,065	231,092	-	7,267,480
<b>Net Position, Beginning of Year</b>	(3,695,555)	68,425,642	7,382,575	5,162,389	861,474	-	78,136,525
<b>Net Position, End of Year</b>	<u>\$ (4,769,005)</u>	<u>\$ 75,114,598</u>	<u>\$ 8,434,392</u>	<u>\$ 5,531,454</u>	<u>\$ 1,092,566</u>	<u>\$ -</u>	<u>\$ 85,404,005</u>

# The Comanche County Hospital Authority

## Combining Schedule – Statement of Cash Flows Information

### Year Ended June 30, 2013

	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
<b>Operating Activities</b>						
Receipts from and on behalf of patients	\$ -	\$ 210,649,606	\$ 5,347,492	\$ 7,456,060	\$ 2,689,906	\$ 226,143,064
Payments to suppliers and contractors	-	(88,118,955)	(1,643,041)	(2,894,357)	(858,426)	(93,514,779)
Payments to or on behalf of employees	-	(104,457,561)	(3,610,627)	(4,841,405)	(1,385,704)	(114,295,297)
Other receipts and payments, net	-	5,172,193	1,932	1,524,922	106,250	6,805,297
Net cash provided by operating activities	-	23,245,283	95,756	1,245,220	552,026	25,138,285
<b>Noncapital Financing Activities</b>						
Noncapital grants and gifts	-	346,930	-	-	2,330	349,260
City appropriations received	-	-	-	233,950	-	233,950
Advances from (to) related party	1,394,355	(1,394,355)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	1,394,355	(1,047,425)	-	233,950	2,330	583,210
<b>Capital and Related Financing Activities</b>						
Capital grants and gifts	-	77,364	673,000	-	-	750,364
Principal paid on long-term debt	-	(45,024,501)	-	(357,989)	-	(45,382,490)
Interest paid on long-term debt	-	(4,117,643)	-	(16,789)	-	(4,134,432)
Proceeds from issuance of long-term debt	-	36,441,777	12,259,902	-	-	48,701,679
Purchase of capital assets	-	(14,349,127)	(2,569,171)	(5,707)	(74,955)	(16,998,960)
Payment of deferred financing costs	-	(914,255)	(112,033)	-	-	(1,026,288)
Proceeds from sale of capital assets	-	9,571	-	-	-	9,571
Net cash provided by (used in) capital and related financing activities	-	(27,876,814)	10,251,698	(380,485)	(74,955)	(18,080,556)
<b>Investing Activities</b>						
Interest on investments	-	666,827	54,871	21,315	4,096	747,109
Purchase of investments	-	21,211,458	(15,031,523)	(1,127,059)	-	5,052,876
Proceeds from disposition of investments	-	(23,792,653)	3,923,210	1,957,367	-	(17,912,076)
Contributions to equity investee	(1,394,355)	-	-	-	-	(1,394,355)
Net cash provided by (used in) investing activities	(1,394,355)	(1,914,368)	(11,053,442)	851,623	4,096	(13,506,446)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	-	(7,593,324)	(705,988)	1,950,308	483,497	(5,865,507)
<b>Cash and Cash Equivalents, Beginning of Year</b>	-	28,175,115	2,355,698	614,018	455,460	31,600,291
<b>Cash and Cash Equivalents, End of Year</b>	\$ -	\$ 20,581,791	\$ 1,649,710	\$ 2,564,326	\$ 938,957	\$ 25,734,784

	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
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>						
Cash and cash equivalents in current assets	\$ -	\$ 15,092,095	\$ 1,649,710	\$ 2,468,933	\$ 938,957	\$ 20,149,695
Cash and cash equivalents in noncurrent cash and investments						
Held by trustee for debt service	-	5,489,696	-	95,393	-	5,585,089
	<u>\$ -</u>	<u>\$ 20,581,791</u>	<u>\$ 1,649,710</u>	<u>\$ 2,564,326</u>	<u>\$ 938,957</u>	<u>\$ 25,734,784</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating income (loss)	\$ -	\$ 11,211,902	\$ (269,020)	\$ 363,485	\$ 329,101	\$ 11,635,468
Depreciation and amortization	-	11,471,609	206,495	546,410	70,726	12,295,240
Provision for uncollectible accounts	-	40,083,740	62,012	2,047,033	331,465	42,524,250
Loss on sale of capital assets	-	5,008	-	475	2,667	8,150
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	(49,697,179)	(144,476)	(1,795,853)	(107,122)	(51,744,630)
Supplies and prepaid expenses	-	(339,697)	(12,357)	(74,440)	727	(425,767)
Estimated amount due to (from) third-party payer	-	(1,281,773)	-	(972)	-	(1,282,745)
Accounts payable and accrued expenses	-	12,660,209	253,102	159,082	(75,538)	12,996,855
Other assets and liabilities	-	(868,536)	-	-	-	(868,536)
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 23,245,283</u>	<u>\$ 95,756</u>	<u>\$ 1,245,220</u>	<u>\$ 552,026</u>	<u>\$ 25,138,285</u>
<b>Supplemental Disclosures of Cash Flows Information</b>						
Capital asset acquisitions included in accounts payable	\$ -	\$ 251,414	\$ -	\$ -	\$ -	\$ 251,414
Loss on investment in equity investee	\$ 1,056,627	\$ -	\$ -	\$ -	\$ -	\$ 1,056,627
Forgiveness of debt payments (Note 9)	\$ -	\$ 179,415	\$ -	\$ -	\$ -	\$ 179,415

# The Comanche County Hospital Authority

## Combining Schedule – Statement of Cash Flows Information

### Year Ended June 30, 2012

	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
<b>Operating Activities</b>						
Receipts from and on behalf of patients	\$ -	\$ 209,979,164	\$ 4,779,224	\$ 7,785,370	\$ 2,226,618	\$ 224,770,376
Payments to suppliers and contractors	-	(95,858,709)	(1,377,497)	(3,069,277)	(806,670)	(101,112,153)
Payments to or on behalf of employees	-	(100,138,869)	(3,632,211)	(4,712,338)	(1,474,796)	(109,958,214)
Other receipts and payments, net	-	6,046,004	2,611	370,679	-	6,419,294
Net cash provided by (used in) operating activities	-	20,027,590	(227,873)	374,434	(54,848)	20,119,303
<b>Noncapital Financing Activities</b>						
Noncapital grants and gifts	-	340,043	-	-	26,759	366,802
Proceeds from short-term note payable	-	2,000,000	-	-	-	2,000,000
Principal payments on short-term note payable	-	(2,000,000)	-	-	-	(2,000,000)
Interest paid on short-term note payable	-	(10,833)	-	-	-	(10,833)
Payment of debt issuance costs	-	(361,185)	-	-	-	(361,185)
City appropriations received	-	-	-	225,479	-	225,479
Advances from (to) related party	137,149	(137,149)	-	-	-	-
Net cash provided by noncapital financing activities	137,149	(169,124)	-	225,479	26,759	220,263
<b>Capital and Related Financing Activities</b>						
Capital grants and gifts	-	75,036	500,000	-	-	575,036
Principal paid on long-term debt	-	(6,578,685)	-	(369,561)	-	(6,948,246)
Interest paid on long-term debt	-	(3,788,244)	-	(33,012)	-	(3,821,256)
Proceeds from issuance of long-term debt	-	15,360,771	-	-	-	15,360,771
Purchase of capital assets	-	(8,206,336)	(1,031,225)	(346,617)	(73,648)	(9,657,826)
Net cash used in capital and related financing activities	-	(3,137,458)	(531,225)	(749,190)	(73,648)	(4,491,521)
<b>Investing Activities</b>						
Interest on investments	-	580,112	60,240	36,676	3,130	680,158
Purchase of investments	-	15,951,792	(1,474,074)	(1,130,447)	-	13,347,271
Proceeds from disposition of investments	-	(15,030,163)	1,393,185	1,300,000	-	(12,336,978)
Payment for purchase of HVC (See Note 16)	-	(15,360,771)	-	-	-	(15,360,771)
Contributions to equity investee	(137,149)	-	-	-	-	(137,149)
Net cash provided by (used in) investing activities	(137,149)	(13,859,030)	(20,649)	206,229	3,130	(13,807,469)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	-	2,861,978	(779,747)	56,952	(98,607)	2,040,576
<b>Cash and Cash Equivalents, Beginning of Year</b>	-	25,313,137	3,135,445	557,066	554,067	29,559,715
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ -</u>	<u>\$ 28,175,115</u>	<u>\$ 2,355,698</u>	<u>\$ 614,018</u>	<u>\$ 455,460</u>	<u>\$ 31,600,291</u>

	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
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>						
Cash and cash equivalents in current assets	\$ -	\$ 16,684,295	\$ 2,355,698	\$ 517,900	\$ 455,460	\$ 20,013,353
Cash and cash equivalents in noncurrent cash and investments						
Held by trustee for debt service	-	7,996,753	-	96,118	-	8,092,871
Held in escrow for capital acquisitions	-	3,494,067	-	-	-	3,494,067
	<u>\$ -</u>	<u>\$ 28,175,115</u>	<u>\$ 2,355,698</u>	<u>\$ 614,018</u>	<u>\$ 455,460</u>	<u>\$ 31,600,291</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating income	\$ -	\$ 9,528,099	\$ (480,855)	\$ 136,036	\$ 201,203	\$ 9,384,483
Depreciation and amortization	-	10,568,282	234,258	602,978	65,840	11,471,358
Provision for uncollectible accounts	-	37,871,629	9,065	1,586,075	320,734	39,787,503
Loss on sale of capital assets	-	34,048	-	-	-	34,048
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	(34,417,471)	(88,679)	(1,750,661)	(607,585)	(36,864,396)
Supplies and prepaid expenses	-	(968,444)	9,133	(64,423)	1,360	(1,022,374)
Estimated amount due to third-party payer	-	871,034	-	(11,792)	-	859,242
Accounts payable and accrued expenses	-	(3,638,824)	89,205	(123,779)	(36,400)	(3,709,798)
Other assets and liabilities	-	179,237	-	-	-	179,237
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ 20,027,590</u>	<u>\$ (227,873)</u>	<u>\$ 374,434</u>	<u>\$ (54,848)</u>	<u>\$ 20,119,303</u>
<b>Supplemental Disclosures of Cash Flows Information</b>						
Capital asset acquisitions included in accounts payable	\$ -	\$ 668,123	\$ -	\$ -	\$ -	\$ 668,123
Loss on investment in equity investee	\$ 1,056,627	\$ -	\$ -	\$ -	\$ -	\$ 1,056,627
Forgiveness of debt payments ( <i>Note 9</i> )	\$ -	\$ 157,750	\$ -	\$ -	\$ -	\$ 157,750
The Authority purchased all of the member units of HVC (see <i>Note 16</i> ) for \$15,360,771. In conjunction with the acquisition, liabilities were assumed as follows:						
Fair value of assets acquired		\$ 8,159,524				\$ 8,159,524
Goodwill associated with purchase		7,362,565				7,362,565
Cash paid for the member units		<u>(15,360,771)</u>				<u>(15,360,771)</u>
Liabilities assumed		<u>\$ 161,318</u>				<u>\$ 161,318</u>



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

Board of Trustees  
Comanche County Hospital Authority  
Lawton, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Comanche County Hospital Authority (the Authority), which comprise the balance sheet as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2014.

***Internal Control over Financial Reporting***

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Board of Trustees  
The Comanche County Hospital Authority

### ***Compliance***

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*.

### ***Other Matters***

We noted certain matters that we reported to the Authority's management in a separate letter dated January 13, 2014.

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Tulsa, Oklahoma  
January 13, 2014

**The Comanche County Hospital Authority**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2013**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.