

The Comanche County Hospital Authority

Accountants' Reports and Financial Statements

June 30, 2012 and 2011



The Comanche County Hospital Authority

June 30, 2012 and 2011

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

We have audited the accompanying balance sheets of The Comanche County Hospital Authority (the Authority) as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Comanche County Hospital Authority as of June 30, 2012 and 2011, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and postretirement health plan 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.

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

BKD, LLP

December 18, 2012

The Comanche County Hospital Authority

Management's Discussion and Analysis

Years Ended June 30, 2012 and 2011

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, 2012 and 2011. It should be read in conjunction with the accompanying financial statements of the Authority. Unless otherwise indicated, dollar amounts are in thousands.

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

Financial Highlights

- The Authority's net assets increased in each of the past three years with a \$7,268 or 9.3% increase in 2012, a \$4,268 or 5.8% increase in 2011 and a \$89 or 0.1% increase in 2010.
- The Authority reported operating income of \$9,496, \$7,506 and \$2,724 in 2012, 2011 and 2010, respectively.
- During 2012 and 2011, the Authority acquired capital assets costing \$17,604 and \$14,286, respectively.

Using This Annual Report

The Authority's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any health care organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the balance sheet. The Authority's net assets increased by \$7,268 or 9.3% in 2012 over 2011 and by \$4,268 or 5.8% in 2011 over 2010 as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2012	2011	2010
Assets			
Cash, cash equivalents and unrestricted investments	\$ 44,196	\$ 42,341	\$ 41,388
Patient accounts receivable, net	29,879	29,476	31,431
Other current assets	19,826	21,477	20,432
Capital assets, net	94,889	88,434	84,123
Other noncurrent assets	17,830	11,060	11,356
Total assets	<u>\$ 206,620</u>	<u>\$ 192,788</u>	<u>\$ 188,730</u>
Liabilities			
Long-term debt	\$ 79,327	\$ 71,220	\$ 74,698
Other liabilities	41,889	43,431	40,163
Total liabilities	<u>121,216</u>	<u>114,651</u>	<u>114,861</u>
Net Assets			
Invested in capital assets, net of related debt	13,616	17,262	9,327
Restricted expendable	7,896	6,323	6,091
Unrestricted	63,892	54,552	58,451
Total net assets	<u>85,404</u>	<u>78,137</u>	<u>73,869</u>
Total liabilities and net assets	<u>\$ 206,620</u>	<u>\$ 192,788</u>	<u>\$ 188,730</u>

In 2012, other noncurrent assets increased by \$6,770 or 61.2%, primarily due to goodwill being recorded as a component of the business combination discussed in *Note 15*. In addition, long-term debt increased by \$8,107 or 11.4%, which includes additional long-term debt in the amount of \$15,361 related to financing the purchase price of this business combination.

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

Operating Results and Changes in the Authority's Net Assets

In 2012, the Authority's net assets increased by \$7,268 or 9.3% as shown in Table 2. This compares to an increase in net assets in 2011 of \$4,268 or 5.8% and an increase in 2010 of \$89 or 0.1%.

Table 2: Operating Results and Changes in Net Assets

	2012	2011	2010
Operating Revenues			
Net patient service revenue	\$ 222,413	\$ 213,833	\$ 202,532
Other operating revenues	4,919	4,674	4,176
Total operating revenues	227,332	218,507	206,708
Operating Expenses			
Salaries and wages and employee benefits	107,165	106,254	107,004
Purchased services and professional fees	44,679	42,382	34,810
Medical supplies and drugs	33,407	36,566	37,094
Depreciation and amortization	11,360	10,182	9,722
Other operating expenses	21,225	15,617	15,354
Total operating expenses	217,836	211,001	203,984
Operating Income	9,496	7,506	2,724
Nonoperating Revenues (Expenses)			
City appropriations – unrestricted	225	230	293
Noncapital grants and gifts	525	850	633
Loss on investment in equity investee	(1,073)	(953)	(1,257)
Investment income	407	532	697
Interest expense	(3,887)	(3,982)	(4,333)
Total nonoperating revenues (expenses)	(3,803)	(3,323)	(3,967)
Capital Grants and Gifts	1,575	85	1,332
Increase in Net Assets	\$ 7,268	\$ 4,268	\$ 89

Operating Income

The operating income for 2012 increased by \$1,990 or 26.5% compared to the 2011 amount. The primary components of the increase in operating income are:

- An increase in net patient service revenue of \$8,580 or 4.0%
- An increase in other operating expenses of \$5,608 or 35.9%

Net patient service revenue was greater in 2012 than in 2011 primarily because of approximately \$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 \$5,608 or 35.9% due in part to payments made into the state fund of the SHOPP program of approximately \$4,689.

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

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

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

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 2012 and 2011, investment income decreased compared to the prior year's amounts by \$125 or 23.5% and \$165 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 2012, the Authority had \$94,889 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 \$17,604.

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

Debt

At June 30, 2012 and 2011, the Authority had \$86,425 and \$78,170, respectively, in revenue bonds, revenue refunding notes, notes payable and capital lease obligations outstanding. During 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 15*. In 2011, the Authority incurred \$4,000 of capital leases for equipment.

Other Economic Factors

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

Fort Sill began construction of housing and buildings to accommodate the additional expected personnel. This construction and the housing and infrastructure in the community have increased construction jobs in the Lawton area. The community is planning \$40,000,000 in infrastructure and adding housing for 3,000 families. The City of Lawton developed a TIF district to revitalize the downtown area and recently announced that this district would include a hotel and convention center. Other upcoming construction projects include a shopping center anchored by a new Target. Lawton has seen growing sales tax receipts as a result of this construction and the added jobs in the community.

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

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's patients, suppliers, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Comanche County Memorial Hospital Administration by telephoning 580.355.8620.

The Comanche County Hospital Authority

Balance Sheets

June 30, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 20,013,353	\$ 16,759,079
Short-term investments	8,599,446	6,417,393
Restricted cash and investments – current	8,286,547	9,597,109
Patient accounts receivable, net of allowance; 2012 – \$37,521,000, 2011 – \$33,324,000	29,879,228	29,475,833
Accrued investment income	200,593	148,127
Due from related parties	1,627,739	3,600,144
Contribution receivable	500,000	-
Supplies	5,127,076	5,077,712
Prepaid expenses and other	4,084,344	3,054,131
	<u>78,318,326</u>	<u>74,129,528</u>
Total current assets		
	<u>78,318,326</u>	<u>74,129,528</u>
Noncurrent Cash and Investments		
Held by trustee for debt service	10,357,451	10,349,661
Held in escrow for equipment purchases	3,494,067	4,652,265
	<u>13,851,518</u>	<u>15,001,926</u>
Less amount required to meet current obligations	8,286,547	9,597,109
	<u>5,564,971</u>	<u>5,404,817</u>
Other long-term investments	15,583,075	19,164,675
	<u>21,148,046</u>	<u>24,569,492</u>
	<u>21,148,046</u>	<u>24,569,492</u>
Capital Assets, Net	<u>94,888,798</u>	<u>88,434,199</u>
Contribution Receivable	<u>500,000</u>	<u>-</u>
Other Assets		
Deferred financing costs	1,381,813	1,588,818
Investment in joint venture	1,868,176	2,804,477
Goodwill	7,319,289	-
Other	1,195,284	1,261,975
	<u>11,764,562</u>	<u>5,655,270</u>
	<u>11,764,562</u>	<u>5,655,270</u>
Total assets	<u>\$ 206,619,732</u>	<u>\$ 192,788,489</u>

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Current maturities of long-term debt	\$ 7,098,460	\$ 6,949,820
Accounts payable	16,541,153	13,814,733
Accrued expenses	6,543,801	9,179,758
Accrued interest payable	1,822,694	1,828,893
Due to related parties	2,603,216	5,136,733
Estimated amounts due to third-party payers	<u>2,873,823</u>	<u>2,014,581</u>
Total current liabilities	37,483,147	38,924,518
 Long-Term Debt	 79,326,519	 71,220,384
 Long-Term Net Pension Obligation	 2,552,288	 2,463,468
 Long-Term Compensated Absences Obligation	 <u>1,853,773</u>	 <u>2,043,594</u>
Total liabilities	<u>121,215,727</u>	<u>114,651,964</u>
 Net Assets		
Invested in capital assets, net of related debt	13,616,332	17,262,524
Restricted – expendable for		
Debt service	6,395,804	6,322,656
Capital acquisitions	1,500,000	-
Unrestricted	<u>63,891,869</u>	<u>54,551,345</u>
Total net assets	<u>85,404,005</u>	<u>78,136,525</u>
Total liabilities and net assets	<u><u>\$ 206,619,732</u></u>	<u><u>\$ 192,788,489</u></u>

The Comanche County Hospital Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2012 – \$39,788,000, 2011 – \$42,015,000	\$ 222,412,838	\$ 213,832,535
Grant revenue	709,159	639,703
Other	4,210,188	4,035,149
	<u>227,332,185</u>	<u>218,507,387</u>
Operating Expenses		
Salaries and wages	90,828,567	89,538,396
Employee benefits	16,336,245	16,715,791
Purchased services and professional fees	44,678,536	42,381,800
Medical supplies and drugs	33,406,708	36,565,771
Supplies and other	19,625,435	14,042,437
Insurance	1,566,804	1,557,500
Depreciation and amortization	11,359,774	10,181,739
Gain on sale of capital assets	34,048	18,336
	<u>217,836,117</u>	<u>211,001,770</u>
Operating Income	<u>9,496,068</u>	<u>7,505,617</u>
Nonoperating Revenues (Expenses)		
City appropriations – unrestricted	225,479	229,795
Noncapital grants and gifts	524,552	849,723
Loss on investment in equity investee	(1,073,450)	(953,085)
Investment income	406,660	531,574
Interest expense	(3,886,865)	(3,980,793)
	<u>(3,803,624)</u>	<u>(3,322,786)</u>
Excess of Revenues over Expenses Before Capital Grants and Gifts	5,692,444	4,182,831
Capital Grants and Gifts	<u>1,575,036</u>	<u>85,000</u>
Increase in Net Assets	7,267,480	4,267,831
Net Assets, Beginning of Year	<u>78,136,525</u>	<u>73,868,694</u>
Net Assets, End of Year	<u><u>\$ 85,404,005</u></u>	<u><u>\$ 78,136,525</u></u>

The Comanche County Hospital Authority
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Receipts from and on behalf of patients	\$ 224,770,376	\$ 217,716,919
Payments to suppliers and contractors	(101,087,858)	(92,363,726)
Payments to or on behalf of employees	(109,829,738)	(106,853,262)
Other receipts and payments, net	<u>6,419,294</u>	<u>4,076,439</u>
Net cash provided by operating activities	<u>20,272,074</u>	<u>22,576,370</u>
Noncapital Financing Activities		
Noncapital grants and gifts	524,552	849,723
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)	-
City appropriations received	<u>225,479</u>	<u>230,138</u>
Net cash provided by noncapital financing activities	<u>739,198</u>	<u>1,079,861</u>
Capital and Related Financing Activities		
Capital grants and gifts	575,036	85,000
Principal paid on long-term debt	(7,105,996)	(6,832,493)
Interest paid on long-term debt	(3,974,027)	(4,208,748)
Proceeds from issuance of long-term debt	15,360,771	4,000,000
Purchase of capital assets	(10,019,011)	(14,265,984)
Proceeds from sale of capital assets	<u>-</u>	<u>52,405</u>
Net cash used in capital and related financing activities	<u>(5,163,227)</u>	<u>(21,169,820)</u>
Investing Activities		
Interest on investments	680,158	969,307
Purchase of investments	13,347,271	(17,269,274)
Proceeds from disposition of investments	(12,336,978)	14,490,505
Payment for purchase of HVC (see Note 15)	(15,360,771)	-
Contributions to equity investee	<u>(137,149)</u>	<u>(1,188,630)</u>
Net cash used in investing activities	<u>(13,807,469)</u>	<u>(2,998,092)</u>
Increase (Decrease) in Cash and Cash Equivalents	2,040,576	(511,681)
Cash and Cash Equivalents, Beginning of Year	<u>29,559,715</u>	<u>30,071,396</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 31,600,291</u></u>	<u><u>\$ 29,559,715</u></u>

See Notes to Financial Statements

	2012	2011
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 20,013,353	\$ 16,759,079
Cash and cash equivalents in noncurrent cash and investments		
Held by trustee for debt service	8,092,871	8,148,371
Held in escrow for equipment purchases	3,494,067	4,652,265
	<u>\$ 31,600,291</u>	<u>\$ 29,559,715</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 9,496,068	\$ 7,505,617
Depreciation and amortization	11,359,773	10,181,739
Gain on sale of capital assets	34,048	18,336
Changes in assets and liabilities		
Patient and other accounts receivable, net	2,923,107	1,926,749
Supplies and prepaid expenses	(1,022,374)	64,843
Estimated amount due to third-party payer	859,242	1,294,732
Accounts payable and accrued expenses	(3,444,481)	1,432,305
Other assets and liabilities	66,691	152,049
	<u>\$ 20,272,074</u>	<u>\$ 22,576,370</u>
Net cash provided by operating activities		
	<u>\$ 20,272,074</u>	<u>\$ 22,576,370</u>
Supplemental Disclosures of Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 668,123	\$ 90,579
Loss on investment in equity investee	\$ 1,073,450	\$ 953,085
The Authority purchased all of the member units of HVC (see <i>Note 15</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, 2012 and 2011

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

Nature of Operations and Reporting Entity

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

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

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

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

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

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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

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

Basis of Accounting and Presentation

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

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

Use of Estimates

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

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted of money market mutual funds with brokers.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Risk Management

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

The Authority is self-insured for a portion of exposure to risk of loss from unemployment, employee health, dental and short-term disability claims. CCMH, LCHC and MTNC are also self-insured for a portion of exposure to risk of loss from workers' compensation claims. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

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

Investments and Investment Income

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

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Authority bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Supplies

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Capital Assets

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

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

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

	2012	2011
Interest costs capitalized	\$ 91,796	\$ 133,864
Interest costs charged to expense	3,886,865	3,980,793
Total interest incurred	<u>\$ 3,978,661</u>	<u>\$ 4,114,657</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 estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in long-term compensated absences obligation.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Net Assets

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

Net Patient Service Revenue

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

Charity Care

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

Income Taxes

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

Foundation

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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, 2014. 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 current year, the Authority received approximately \$9,308,000 in SHOPP funds and paid approximately \$4,689,000 in SHOPP assessment fees, which are the estimated annual amounts to be received and paid by the Authority over the term of the SHOPP program. 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 assets.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue and Grant Revenue

Net Patient Service Revenue

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

- **Medicare** – Substantially all inpatient acute care services and outpatient services rendered to Medicare program beneficiaries, including physician clinic services, are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. CCMH, LCHC and Tillman are reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare administrative contractor.
- **Medicaid** – CCMH, MTNC, LCHC and Tillman have also been paid for services rendered to patients covered by the state Medicaid program. CCMH and Tillman are reimbursed on a prospective basis at prospectively determined rates per discharge and fee schedules with no retroactive adjustment. MTNC is reimbursed for services to residents who are Medicaid beneficiaries at prospectively determined per diem rates with no retroactive adjustment. LCHC is reimbursed for services provided to Medicaid beneficiaries at prospectively determined rates with no retroactive adjustment.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Approximately 55% and 57% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2012 and 2011, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

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, 2012 and 2011, the Authority received \$709,159 and \$639,703, respectively, in CHC grant funds.

Note 3: Deposits, Investments and Investment Income

Deposits

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

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

At June 30, 2012 and 2011, none of The Authority's bank balances of \$24,645,201 and \$23,995,004 were exposed to custodial credit risk.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Investments

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

At June 30, 2012 and 2011, the Authority had the following investments and maturities:

Type	Fair Value	June 30, 2012			
		Maturities in Years			
		Less than 1	1–5	6–10	More than 10
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>				

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

- 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.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

- **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, 2012 and 2011, the Authority's investments that were not direct obligations of or explicitly guaranteed by the U.S. government were rated as follows:

Type	2012		2011	
	Moody's	S & P	Moody's	S & P
Mortgage- and asset-backed securities of U.S. agencies	Aaa	AAA	Aaa	AAA
Repurchase agreement	Aaa	AAA	Aaa	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, 2012 and 2011, the Authority's investments in mortgage- and asset-backed securities of U.S. agencies are held by the counterparties in other than the Authority's name. All of the underlying securities for the Authority's investment in a repurchase agreement at June 30, 2012 and 2011, are held by the counterparties in other than the Authority's name.
- **Concentration of Credit Risk** – The Authority limits the types of securities purchased to U.S. Treasury obligations, U.S. government agency and instrumentality obligations, repurchase agreements, guaranteed investment contracts, bank certificates of deposit fully insured by the FDIC and money market mutual funds. The Authority's investment policies do not place a limit on the amount that may be invested in any one issuer.

At June 30, 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	\$ 7,670,192	21.8%
First Union National Bank repurchase agreement	\$ 2,201,290	6.3%

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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

Investment	Fair Value	Percentage of Total
Federal Home Loan Mortgage Corporation	\$ 11,446,817	32.5%
Federal National Mortgage Association	\$ 6,375,523	18.1%
Federal Home Loan Bank	\$ 4,342,127	12.3%
First Union National Bank repurchase agreement	\$ 2,201,290	6.3%

Summary of Carrying Values

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

	2012	2011
Carrying value		
Deposits	\$ 23,055,258	\$ 22,520,246
Investments	35,192,727	34,970,954
	<u>\$ 58,247,985</u>	<u>\$ 57,491,200</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 20,013,353	\$ 16,759,079
Short-term investments	8,599,446	6,417,393
Restricted cash and investments – current	8,286,547	9,597,109
Noncurrent cash and investments	21,148,046	24,569,492
Accrued investment income	200,593	148,127
	<u>\$ 58,247,985</u>	<u>\$ 57,491,200</u>

Investment Income

Investment income for the years ended June 30, 2012 and 2011, consisted of:

	2012	2011
Interest	\$ 732,624	\$ 949,475
Net decrease in fair value of investments	(325,964)	(417,901)
	<u>\$ 406,660</u>	<u>\$ 531,574</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Note 4: Patient Accounts Receivable

The Authority grants credit without collateral to its patients, most of whom are southwestern Oklahoma residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2012 and 2011, consisted of:

	2012	2011
Medicare	\$ 10,615,808	\$ 10,805,645
Medicaid	3,919,787	4,590,304
Other third-party payers	11,899,997	12,258,255
Patients	40,964,636	35,145,629
	<u>67,400,228</u>	<u>62,799,833</u>
Less allowance for uncollectible accounts	<u>37,521,000</u>	<u>33,324,000</u>
	<u><u>\$ 29,879,228</u></u>	<u><u>\$ 29,475,833</u></u>

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2012 and 2011, was:

	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	-	36,315	8,265,444
Buildings, improvements and fixed equipment	127,153,048	5,632,227	-	1,317,542	134,102,817
Major moveable equipment	100,734,290	5,158,179	(980,960)	8,241,798	113,153,307
Construction in progress	7,343,927	5,750,196	-	(9,595,655)	3,498,468
	<u>245,999,515</u>	<u>17,604,429</u>	<u>(980,960)</u>	<u>-</u>	<u>262,622,984</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	7,181,652	(946,322)	(8,537)	79,412,149
	<u>157,565,316</u>	<u>11,115,192</u>	<u>(946,322)</u>	<u>-</u>	<u>167,734,186</u>
Capital assets, net	<u><u>\$ 88,434,199</u></u>	<u><u>\$ 6,489,237</u></u>	<u><u>\$ (34,638)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 94,888,798</u></u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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

Note 6: Medical Malpractice Claims

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

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable costs of such incidents. In 2012 and 2011, the Authority accrued approximately \$465,000 and \$400,000, respectively, based on its claims experience for these claims. These liabilities are included in accounts payable on the accompanying balance sheets. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Self-Insured Claims

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

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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

Activity in the Authority's accrued liability for self-insured plans during the years ended June 30, 2012 and 2011, is summarized as follows:

	2012		
	Employee Health and Dental Benefits	Short-Term Disability	Workers' Compensation
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>\$ 1,467,307</u>	<u>\$ 85,264</u>	<u>\$ 1,166,549</u>

	2011		
	Employee Health and Dental Benefits	Short-Term Disability	Workers' Compensation
Balance, beginning of year	\$ 1,024,350	\$ 104,953	\$ 474,904
Current year claims and changes in estimates	6,861,240	64,421	1,230,715
Claim payments, net of reinsurance	<u>(6,989,693)</u>	<u>(28,504)</u>	<u>(902,824)</u>
Balance, end of year	<u>\$ 895,897</u>	<u>\$ 140,870</u>	<u>\$ 802,795</u>

On June 22, 2011, the Oklahoma Workers' Compensation Court (OWCC) required the Authority to post collateral for self-insured claims in the form of a \$650,000 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.

On June 8, 2012, the 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. As of June 30, 2012, no amounts have been drawn on this line of credit.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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

Long-Term Debt

The following is a summary of long-term debt transactions for the Authority for the years ended June 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Series 2005 Revenue Bonds	\$ 32,970,000	\$ -	\$ -	\$ 32,970,000	\$ -
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	786,245
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
	<u>\$ 78,170,204</u>	<u>\$ 15,360,771</u>	<u>\$ (7,105,996)</u>	<u>\$ 86,424,979</u>	<u>\$ 7,098,460</u>

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Revenue Bonds Payable

The revenue bonds payable consist of the following:

- Series 2005 Hospital Revenue Refunding Bonds (Series 2005 Revenue Bonds), in the original amount of \$32,970,000 dated November 1, 2005, which bear interest at 4.375% to 5.25%, payable semiannually beginning July 1, 2006. Principal is payable in annual installments beginning July 1, 2014, and continuing through July 1, 2023. The Authority is required to make monthly deposits to a debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2016, at a price of par plus accrued interest to the date of redemption. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. Payments of principal and interest are also secured by an insurance policy issued by a commercial insurer.
- Series 2004 Hospital Revenue Refunding Bonds (Series 2004 Revenue Bonds), in the original amount of \$18,335,000 dated December 8, 2004, which bear interest at 3.50% to 5.00%, payable semiannually beginning July 1, 2005. Principal is payable in annual installments through July 1, 2013. The Authority is required to make monthly deposits to a debt service fund held by the trustee. The bonds may not be redeemed prior to maturity other than extraordinary optional redemption. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. Payments of principal and interest are also secured by an insurance policy issued by a commercial insurer.
- Series 2000B Fixed Rate Revenue Bonds (Series 2000B Revenue Bonds), in the original amount of \$28,010,000 dated February 1, 2002, which bear interest at 5.35% to 6.60%, payable semiannually. Principal is payable in annual installments through July 2031. The Authority is required to make monthly deposits to a debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2012, at a redemption price of 102% decreasing to 101% on July 1, 2013, and to 100% on or after July 1, 2014. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement.

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

The debt service requirements as of June 30, 2012, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2013	\$ 6,364,815	\$ 2,950,000	\$ 3,414,815
2014	6,379,090	3,110,000	3,269,090
2015	6,410,971	3,300,000	3,110,971
2016	6,415,872	3,490,000	2,925,872
2017	6,399,231	3,670,000	2,729,231
2018–2022	31,939,184	21,580,000	10,359,184
2023–2027	19,173,594	14,600,000	4,573,594
2028–2032	10,690,700	9,110,000	1,580,700
	<u>\$ 93,773,457</u>	<u>\$ 61,810,000</u>	<u>\$ 31,963,457</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 12*) and from certain revenues of Tillman. The Authority has guaranteed approximately 40% of the note's principal and interest payments.

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

The debt service requirements as of June 30, 2012, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2013	\$ 290,290	\$ 275,000	\$ 15,290
2014	143,080	140,000	3,080
	<u>\$ 433,370</u>	<u>\$ 415,000</u>	<u>\$ 18,370</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Notes Payable to Banks

Notes payable to bank consist of the following:

- Note payable dated March 7, 2006, and maturing March 10, 2016, in the original amount of \$2,300,000, with monthly payments of \$24,480, including interest at 5.00%, secured by facilities and improvements. The outstanding balance at June 30, 2012 and 2011, was \$1,001,375 and \$1,237,862, respectively.
- Note payable dated May 8, 2008, and maturing April 8, 2013, in the original amount of \$87,250, with monthly payments of \$1,598, including interest at 3.147%, secured by equipment. The outstanding balance at June 30, 2012 and 2011, was \$15,753 and \$34,118, 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, 2012, was \$15,360,771.

The debt service requirements as of June 30, 2012, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2013	\$ 1,326,815	\$ 786,245	\$ 540,570
2014	2,327,912	1,496,630	831,282
2015	2,327,912	1,579,057	748,855
2016	2,254,477	1,592,282	662,195
2017	11,682,398	10,923,685	758,713
	<u>\$ 19,919,514</u>	<u>\$ 16,377,899</u>	<u>\$ 3,541,615</u>

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, 2012 and 2011, consisted of the following:

	2012	2011
Capital assets, cost	\$ 19,427,761	\$ 18,269,563
Held in escrow for equipment purchase	3,494,067	4,652,265
	<u>22,921,828</u>	<u>22,921,828</u>
Less accumulated depreciation	<u>8,683,113</u>	<u>5,889,485</u>
	<u>\$ 14,238,715</u>	<u>\$ 17,032,343</u>

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

The following is a schedule by year of future minimum lease payments under capital leases, including interest at rates of 3.44% to 5.84% together with the present value of the future minimum lease payments as of June 30, 2012:

Year Ending June 30,	
2013	\$ 3,291,773
2014	2,636,340
2015	1,629,945
2016	424,298
Total minimum lease payments	7,982,356
Less amount representing interest	339,691
Present value of future minimum lease payments	<u>\$ 7,642,665</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 2012 and 2011 by CCIDA were \$157,750 and \$133,450, respectively.

Compensated Absences Obligations

The following is a summary of compensated absences obligations transactions for the Authority for the years ended June 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Compensated absences obligations	<u>\$ 4,864,353</u>	<u>\$ 5,251,185</u>	<u>\$ (5,153,924)</u>	<u>\$ 4,961,614</u>	<u>\$ 3,107,841</u>

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Net Pension Obligation

The following is a summary of net pension obligation transactions for the Authority for the years ended June 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Net pension obligation	<u>\$ 4,454,072</u>	<u>\$ 1,353,081</u>	<u>\$ (1,936,788)</u>	<u>\$ 3,870,365</u>	<u>\$ 1,318,077</u>

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

Note 9: Charity Care and Other Community Benefits

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

	2012	2011
Charity allowances	\$ 6,507,000	\$ 4,739,000
State Medicaid and other public aid programs	45,982,000	44,482,000
	<u>\$ 52,489,000</u>	<u>\$ 49,221,000</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, 2012 and 2011

Note 10: Pension Plan

Plan Description

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

Funding Policy

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

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension cost and net pension obligation to the plan for 2012 and 2011 were as follows:

	2012	2011
Annual required contributions	\$ 1,606,845	\$ 2,273,816
Interest on net pension obligation	311,785	386,414
Adjustment to annual required contribution	(549,075)	(625,336)
Annual pension cost	1,369,555	2,034,894
Contributions made	(1,953,262)	(3,101,015)
Decrease in net pension obligation	(583,707)	(1,066,121)
Net pension obligation at beginning of year	4,454,072	5,520,193
Net pension obligation at end of year	<u>\$ 3,870,365</u>	<u>\$ 4,454,072</u>

The annual required contribution for 2012 and 2011 was determined as part of actuarial valuations on July 1, 2011 and 2010, 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, 2011, 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, 2012 and 2011

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

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 1,369,555	143%	\$ 3,870,365
2011	\$ 2,034,894	152%	\$ 4,454,072
2010	\$ 2,793,035	51%	\$ 5,520,193

Funding Status and Funding Progress

The following is funded status information as of July 1, 2011, 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
\$ 31,697,535	\$ 39,815,033	\$ 8,117,498	79.6%	\$ 47,989,349	16.9%

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

Note 11: Postretirement Health Plan

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

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

In addition, participants in the Authority's health care plan who terminate employment are able to continue to participate in the health plan under certain conditions, provided they pay the full amount of premium, under the Authority's COBRA benefit. There is no publicly available financial report for the postemployment health plan.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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 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:

	2012	2011
Normal cost	\$ (25,277)	\$ (25,036)
Amortization of UAAL	<u>36,383</u>	<u>36,384</u>
Annual required contribution	11,106	11,348
Interest on prior year net OPEB obligation	12,142	12,885
Adjustment to annual required contribution	<u>7,222</u>	<u>5,957</u>
Annual OPEB cost	30,470	30,190
Contributions made	<u>(47,997)</u>	<u>-</u>
Increase in net OPEB obligation	(17,527)	30,190
Net OPEB obligation at beginning of year	<u>286,202</u>	<u>256,012</u>
Net OPEB obligation at end of year	<u>\$ 268,675</u>	<u>\$ 286,202</u>

The annual required contributions for 2012 and 2011 were determined as part of actuarial valuations on July 1, 2011 and 2010, 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, 2011, was 10 years. The net OPEB obligation is included in accounts payable on the accompanying financial statements at June 30, 2012 and 2011.

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Trend Information

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 30,470	157.5%	\$ 268,675
2011	\$ 30,190	0.0%	\$ 286,202
2010	\$ 30,808	0.0%	\$ 256,012

Funded Status and Funding Progress

The following is funded status information as of July 1, 2011, 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
\$ -	\$ 268,675	\$ 268,675	0.0%	\$ 2,110,847	12.7%

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

Note 12: City Appropriations

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

Note 13: 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. Included in due from related parties on the accompanying balance sheets at June 30, 2012 and 2011, are \$226 and \$154,723, respectively, owed by 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 assets are \$64,000 and \$85,000 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, the Authority recorded revenue from CCSO in the amounts of \$5,720,182 and \$5,580,548, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2012 and 2011, CCSO owed the Authority \$1,627,965 and \$3,435,434, 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, 2012 and 2011, the Authority incurred \$13,472,737 and \$12,559,132, respectively, of expense and owed CCSO \$2,603,216 and \$5,136,408 at June 30, 2012 and 2011, respectively, related to these services. These amounts are included in the accompanying balance sheets in due to related parties.

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

The Authority is an approximate 46% ownership member of CCSO. The Authority's investment in CCSO amounted to \$1,868,176 and \$2,804,477 at June 30, 2012 and 2011, 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, 2012 and 2011

Financial position and results of operations summarized from CCSO's audited financial statements for the fiscal years ended June 30, 2012 and 2011, are shown below:

	2012	2011
Current assets	\$ 7,566,796	\$ 9,885,104
Capital assets and other long-term assets, net	<u>28,275,673</u>	<u>30,597,425</u>
Total assets	35,842,469	40,482,529
Total liabilities	<u>31,755,247</u>	<u>34,347,428</u>
Net assets	<u>\$ 4,087,222</u>	<u>\$ 6,135,101</u>
Operating revenues	<u>\$ 23,280,917</u>	<u>\$ 21,159,535</u>
Excess of expenses over revenues	<u>\$ (2,347,879)</u>	<u>\$ (2,084,611)</u>

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

Note 15: 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 Authority also expects to reduce costs through economies of scale.

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, 2012 and 2011

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
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 16: Contingencies

Litigation

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

Current Economic Conditions

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

The Comanche County Hospital Authority

Notes to Financial Statements

June 30, 2012 and 2011

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

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

Note 17: 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. It is expected the remaining amounts will be received equally in fiscal 2013 and 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 assets. Since none of the amount has been expended at June 30, 2012, the grant amount is included as restricted net assets, expendable for capital acquisition in the accompanying balance sheets.

Note 18: Subsequent Event

Effective December 14, 2012, the Authority issued Hospital Revenue Refunding Bonds Series 2012A in the amount of \$36,790,000 and Taxable Series 2012B in the amount of \$9,830,000, (collectively, the 2012 Bonds). The 2012 Bonds bear interest at rates from 3.00% to 5.05% and are payable with semiannual interest payments and annual principal payments through July 1, 2042. The proceeds of the 2012 Bonds will be used to refund existing debt, to fund a bond reserve fund and for construction projects.

The Comanche County Hospital Authority
Required Supplementary Information – Schedules of Funding Progress
Year Ended June 30, 2012

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
7/1/2011	\$ 31,697,535	\$ 39,815,033	\$ 8,117,498	79.6%	\$ 47,989,349	16.9%
7/1/2010	\$ 23,878,170	\$ 39,238,359	\$ 15,360,189	60.9%	\$ 54,634,231	28.1%
7/1/2009	\$ 20,969,114	\$ 39,305,389	\$ 18,336,275	53.3%	\$ 54,169,624	33.8%

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
7/1/2011	\$ -	\$ 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%
7/1/2009	\$ -	\$ 256,012	\$ 256,012	0.0%	\$ 1,855,577	13.8%

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

The Comanche County Hospital Authority
Combining Schedule – Balance Sheet Information
June 30, 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
Assets							
Current Assets							
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
Noncurrent Cash and Investments							
Held by trustee for debt service	-	10,261,333	-	96,118	-	-	10,357,451
Held in escrow for equipment purchases	-	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
Capital Assets, Net	-	88,560,725	3,227,471	2,582,965	517,637	-	94,888,798
Contribution Receivable	-	-	500,000	-	-	-	500,000
Other Assets							
Deferred financing costs	-	1,374,950	-	6,863	-	-	1,381,813
Investment in joint venture	1,868,176	6,637,181	-	-	-	(6,637,181)	1,868,176
Goodwill	-	7,319,289	-	-	-	-	7,319,289
Other	-	1,195,284	-	-	-	-	1,195,284
	1,868,176	16,526,704	-	6,863	-	(6,637,181)	11,764,562
Total assets	\$ 1,868,176	\$ 194,683,953	\$ 9,173,328	\$ 6,767,969	\$ 1,397,436	\$ (7,271,130)	\$ 206,619,732

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	\$ -	\$ 6,740,471	\$ -	\$ 357,989	\$ -	\$ -	\$ 7,098,460
Accounts payable	-	15,873,728	596,434	356,433	29,473	(314,915)	16,541,153
Accrued expenses	-	6,092,190	107,332	344,279	-	-	6,543,801
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	-	36,040,988	703,766	1,067,472	304,870	(633,949)	37,483,147
Due to Related Party	6,637,181	-	-	-	-	(6,637,181)	-
Long-Term Debt	-	79,186,519	-	140,000	-	-	79,326,519
Long-Term Net Pension Obligation	-	2,552,288	-	-	-	-	2,552,288
Long-Term Compensated Absences Obligation	-	1,789,560	35,170	29,043	-	-	1,853,773
Total liabilities	6,637,181	119,569,355	738,936	1,236,515	304,870	(7,271,130)	121,215,727
Net Assets							
Invested in capital assets, net of related debt	-	7,779,385	3,227,471	2,091,839	517,637	-	13,616,332
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)	61,029,440	3,706,921	3,349,584	574,929	-	63,891,869
Total net assets	(4,769,005)	75,114,598	8,434,392	5,531,454	1,092,566	-	85,404,005
Total liabilities and net assets	\$ 1,868,176	\$ 194,683,953	\$ 9,173,328	\$ 6,767,969	\$ 1,397,436	\$ (7,271,130)	\$ 206,619,732

The Comanche County Hospital Authority
Combining Schedule – Balance Sheet Information
June 30, 2011

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Assets							
Current Assets							
Cash and cash equivalents	\$ -	\$ 12,609,154	\$ 3,135,445	\$ 460,413	\$ 554,067	\$ -	\$ 16,759,079
Short-term investments	-	4,688,797	428,596	1,300,000	-	-	6,417,393
Restricted cash and investments – current	-	9,500,456	-	96,653	-	-	9,597,109
Patient accounts receivable, net	-	28,292,528	201,355	915,535	66,415	-	29,475,833
Accrued investment income	-	134,932	13,195	-	-	-	148,127
Due from related parties	-	4,395,658	-	-	-	(795,514)	3,600,144
Supplies	-	4,840,708	18,456	213,772	4,776	-	5,077,712
Prepaid expenses and other	-	2,784,036	27,078	175,360	67,657	-	3,054,131
Total current assets	-	67,246,269	3,824,125	3,161,733	692,915	(795,514)	74,129,528
Noncurrent Cash and Investments							
Held by trustee for debt service	-	10,253,008	-	96,653	-	-	10,349,661
Held in escrow for equipment purchases	-	4,652,265	-	-	-	-	4,652,265
	-	14,905,273	-	96,653	-	-	15,001,926
Less amount required to meet current obligations	-	9,500,456	-	96,653	-	-	9,597,109
	-	5,404,817	-	-	-	-	5,404,817
Other long-term investments	-	16,486,951	1,777,724	900,000	-	-	19,164,675
	-	21,891,768	1,777,724	900,000	-	-	24,569,492
Capital Assets, Net	-	82,664,697	2,430,457	2,829,215	509,830	-	88,434,199
Other Assets							
Deferred financing costs	-	1,571,844	-	16,974	-	-	1,588,818
Investment in joint venture	2,804,477	6,500,032	-	-	-	(6,500,032)	2,804,477
Other	-	1,261,975	-	-	-	-	1,261,975
	2,804,477	9,333,851	-	16,974	-	(6,500,032)	5,655,270
Total assets	\$ 2,804,477	\$ 181,136,585	\$ 8,032,306	\$ 6,907,922	\$ 1,202,745	\$ (7,295,546)	\$ 192,788,489

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	\$ -	\$ 6,580,257	\$ -	\$ 369,563	\$ -	\$ -	\$ 6,949,820
Accounts payable	-	13,422,093	392,450	454,758	17,502	(472,070)	13,814,733
Accrued expenses	-	8,643,469	193,527	342,762	-	-	9,179,758
Accrued interest payable	-	1,818,920	-	9,973	-	-	1,828,893
Due to related parties	-	5,136,408	-	-	323,769	(323,444)	5,136,733
Estimated amounts due to third-party payers	-	2,000,105	-	14,476	-	-	2,014,581
Total current liabilities	-	37,601,252	585,977	1,191,532	341,271	(795,514)	38,924,518
Due to Related Party	6,500,032	-	-	-	-	(6,500,032)	-
Long-Term Debt	-	70,722,397	-	497,987	-	-	71,220,384
Long-Term Net Pension Obligation	-	2,463,468	-	-	-	-	2,463,468
Long-Term Compensated Absences Obligation	-	1,923,826	63,754	56,014	-	-	2,043,594
Total liabilities	6,500,032	112,710,943	649,731	1,745,533	341,271	(7,295,546)	114,651,964
Net Assets							
Invested in capital assets, net of related debt	-	12,343,598	2,430,457	1,978,639	509,830	-	17,262,524
Restricted – expendable for debt service	-	6,235,976	-	86,680	-	-	6,322,656
Unrestricted	(3,695,555)	49,846,068	4,952,118	3,097,070	351,644	-	54,551,345
Total net assets	(3,695,555)	68,425,642	7,382,575	5,162,389	861,474	-	78,136,525
Total liabilities and net assets	\$ 2,804,477	\$ 181,136,585	\$ 8,032,306	\$ 6,907,922	\$ 1,202,745	\$ (7,295,546)	\$ 192,788,489

The Comanche County Hospital Authority

Combining Schedule – Statement of Revenues, Expenses and Changes in Net Assets 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
Operating Revenues							
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
Operating Expenses							
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	(75,183)	44,678,536
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	-	19,625,435
Insurance	-	1,371,800	58,095	118,948	17,961	-	1,566,804
Depreciation and amortization	-	10,456,697	234,258	602,978	65,841	-	11,359,774
Loss on sale of capital assets	-	34,048	-	-	-	-	34,048
Total operating expenses	-	202,060,292	5,342,351	8,196,391	2,312,266	(75,183)	217,836,117
Operating Income (Loss)	-	9,639,684	(480,855)	136,036	201,203	-	9,496,068
Nonoperating Revenues (Expenses)							
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	-	(3,857,739)	-	(29,126)	-	-	(3,886,865)
Total nonoperating revenues (expenses)	(1,073,450)	(3,025,764)	32,672	233,029	29,889	-	(3,803,624)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	(1,073,450)	6,613,920	(448,183)	369,065	231,092	-	5,692,444
Capital Grants and Gifts	-	75,036	1,500,000	-	-	-	1,575,036
Increase (Decrease) in Net Assets	(1,073,450)	6,688,956	1,051,817	369,065	231,092	-	7,267,480
Net Assets, Beginning of Year	(3,695,555)	68,425,642	7,382,575	5,162,389	861,474	-	78,136,525
Net Assets, End of Year	<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 Revenues, Expenses and Changes in Net Assets Information

Year Ended June 30, 2011

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

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
Operating Activities						
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	-	(95,834,414)	(1,377,497)	(3,069,277)	(806,670)	(101,087,858)
Payments to or on behalf of employees	-	(100,010,393)	(3,632,211)	(4,712,338)	(1,474,796)	(109,829,738)
Other receipts and payments, net	-	6,046,004	2,611	370,679	-	6,419,294
Net cash provided by (used in) operating activities	-	20,180,361	(227,873)	374,434	(54,848)	20,272,074
Noncapital Financing Activities						
Noncapital grants and gifts	-	497,793	-	-	26,759	524,552
Proceeds from short-term notes payable	-	2,000,000	-	-	-	2,000,000
Principal payments on short-term notes payable	-	(2,000,000)	-	-	-	(2,000,000)
Interest paid on short-term notes payable	-	(10,833)	-	-	-	(10,833)
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	349,811	-	225,479	26,759	739,198
Capital and Related Financing Activities						
Capital grants and gifts	-	75,036	500,000	-	-	575,036
Principal paid on long-term debt	-	(6,736,435)	-	(369,561)	-	(7,105,996)
Interest paid on long-term debt	-	(3,941,015)	-	(33,012)	-	(3,974,027)
Proceeds from issuance of long-term debt	-	15,360,771	-	-	-	15,360,771
Purchase of capital assets	-	(8,567,521)	(1,031,225)	(346,617)	(73,648)	(10,019,011)
Proceeds from sale of capital assets	-	-	-	-	-	-
Net cash used in capital and related financing activities	-	(3,809,164)	(531,225)	(749,190)	(73,648)	(5,163,227)
Investing Activities						
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 15)	-	(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)
Increase (Decrease) in Cash and Cash Equivalents	-	2,861,978	(779,747)	56,952	(98,607)	2,040,576
Cash and Cash Equivalents, Beginning of Year	-	25,313,137	3,135,445	557,066	554,067	29,559,715
Cash and Cash Equivalents, End of Year	\$ -	\$ 28,175,115	\$ 2,355,698	\$ 614,018	\$ 455,460	\$ 31,600,291

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Reconciliation of Cash and Cash Equivalents to the Balance Sheets						
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	-	7,996,753	-	96,118	-	8,092,871
Held by trustee for debt service	-	3,494,067	-	-	-	3,494,067
Held in escrow for equipment purchases	-	-	-	-	-	-
	<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>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities						
Operating income	\$ -	\$ 9,639,684	\$ (480,855)	\$ 136,036	\$ 201,203	\$ 9,496,068
Depreciation and amortization	-	10,456,697	234,258	602,978	65,840	11,359,773
Gain on sale of capital assets	-	34,048	-	-	-	34,048
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	3,454,158	(79,614)	(164,586)	(286,851)	2,923,107
Supplies and prepaid expenses	-	(968,444)	9,133	(64,423)	1,360	(1,022,374)
Estimated amount due to (from) third-party payer	-	871,034	-	(11,792)	-	859,242
Accounts payable and accrued expenses	-	(3,373,507)	89,205	(123,779)	(36,400)	(3,444,481)
Other assets and liabilities	-	66,691	-	-	-	66,691
	<u>\$ -</u>	<u>\$ 20,180,361</u>	<u>\$ (227,873)</u>	<u>\$ 374,434</u>	<u>\$ (54,848)</u>	<u>\$ 20,272,074</u>
Net cash provided by (used in) operating activities	\$ -	\$ 20,180,361	\$ (227,873)	\$ 374,434	\$ (54,848)	\$ 20,272,074
Supplemental Disclosures of Cash Flows Information						
Capital asset acquisitions included in accounts payable	\$ -	\$ 668,123	\$ -	\$ -	\$ -	\$ 668,123
Loss on investment in equity investee	\$ 1,073,450	\$ -	\$ -	\$ -	\$ -	\$ 1,073,450

The Comanche County Hospital Authority
Combining Schedule – Statement of Cash Flows Information
Year Ended June 30, 2011

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Operating Activities						
Receipts from and on behalf of patients	\$ -	\$ 203,540,015	\$ 5,052,821	\$ 7,693,676	\$ 1,430,407	\$ 217,716,919
Payments to suppliers and contractors	-	(87,915,401)	(1,921,840)	(2,192,287)	(334,198)	(92,363,726)
Payments to or on behalf of employees	-	(97,390,722)	(3,345,560)	(5,220,747)	(896,233)	(106,853,262)
Other receipts and payments, net	-	4,045,109	1,269	30,061	-	4,076,439
Net cash provided by operating activities	-	22,279,001	(213,310)	310,703	199,976	22,576,370
Noncapital Financing Activities						
Noncapital grants and gifts	-	466,662	-	-	383,061	849,723
City appropriations received	-	-	-	230,138	-	230,138
Advances from (to) related party	1,188,630	(1,188,630)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	1,188,630	(721,968)	-	230,138	383,061	1,079,861
Capital and Related Financing Activities						
Capital grants and gifts	-	85,000	-	-	-	85,000
Principal paid on long-term debt	-	(6,477,282)	-	(355,211)	-	(6,832,493)
Interest paid on long-term debt	-	(4,144,873)	-	(63,875)	-	(4,208,748)
Proceeds from issuance of long-term debt	-	4,000,000	-	-	-	4,000,000
Purchase of capital assets	-	(12,249,253)	(52,829)	(1,674,182)	(289,720)	(14,265,984)
Proceeds from sale of capital assets	-	52,405	-	-	-	52,405
Net cash used in capital and related financing activities	-	(18,734,003)	(52,829)	(2,093,268)	(289,720)	(21,169,820)
Investing Activities						
Interest on investments	-	844,048	96,565	25,724	2,970	969,307
Purchase of investments	-	(13,551,241)	(1,618,033)	(2,100,000)	-	(17,269,274)
Proceeds from disposition of investments	-	9,815,505	1,575,000	3,100,000	-	14,490,505
Contributions to equity investee	(1,188,630)	-	-	-	-	(1,188,630)
Net cash provided by (used in) investing activities	(1,188,630)	(2,891,688)	53,532	1,025,724	2,970	(2,998,092)
Increase (Decrease) in Cash and Cash Equivalents	-	(68,658)	(212,607)	(526,703)	296,287	(511,681)
Cash and Cash Equivalents, Beginning of Year	-	25,381,795	3,348,052	1,083,769	257,780	30,071,396
Cash and Cash Equivalents, End of Year	\$ -	\$ 25,313,137	\$ 3,135,445	\$ 557,066	\$ 554,067	\$ 29,559,715

	The Comanche County Hospital Authority	Comanche County Memorial Hospital	McMahon- Tomlinson Nursing Center	Tillman County – City of Frederick Hospital Authority	Lawton Community Health Center	Combined Balance
Reconciliation of Cash and Cash Equivalents to the Balance Sheets						
Cash and cash equivalents in current assets	\$ -	\$ 12,609,154	\$ 3,135,445	\$ 460,413	\$ 554,067	\$ 16,759,079
Cash and cash equivalents in noncurrent cash and investments						
Held by trustee for debt service	-	7,888,965	-	96,653	-	7,985,618
Held in escrow for equipment purchases	-	3,896,837	-	-	-	3,896,837
	<u>\$ -</u>	<u>\$ 24,394,956</u>	<u>\$ 3,135,445</u>	<u>\$ 557,066</u>	<u>\$ 554,067</u>	<u>\$ 28,641,534</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income	\$ -	\$ 7,616,350	\$ (151,799)	\$ 71,265	\$ (30,199)	\$ 7,505,617
Depreciation and amortization	-	9,617,593	241,159	270,416	52,571	10,181,739
Gain on sale of capital assets	-	18,336	-	-	-	18,336
Changes in assets and liabilities						
Patient and other accounts receivable, net	-	2,262,199	15,588	(316,651)	(34,387)	1,926,749
Supplies and prepaid expenses	-	21,774	10,008	(14,667)	47,728	64,843
Estimated amount due to third-party payer	-	1,294,732	-	-	-	1,294,732
Accounts payable and accrued expenses	-	1,238,734	(328,266)	357,574	164,263	1,432,305
Other assets and liabilities	-	209,283	-	(57,234)	-	152,049
	<u>\$ -</u>	<u>\$ 22,279,001</u>	<u>\$ (213,310)</u>	<u>\$ 310,703</u>	<u>\$ 199,976</u>	<u>\$ 22,576,370</u>
Net cash provided by (used in) operating activities						
	<u>\$ -</u>	<u>\$ 22,279,001</u>	<u>\$ (213,310)</u>	<u>\$ 310,703</u>	<u>\$ 199,976</u>	<u>\$ 22,576,370</u>
Supplemental Disclosures of Cash Flows Information						
Capital asset acquisitions included in accounts payable	\$ -	\$ 90,579	\$ -	\$ -	\$ -	\$ 90,579
Loss on investment in equity investee	\$ 1,257,066	\$ -	\$ -	\$ -	\$ -	\$ 1,257,066

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

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

We have audited the financial statements of The Comanche County Hospital Authority (the Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Board of Trustees
The Comanche County Hospital Authority

Compliance and Other Matters

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

We also noted certain matters that we reported to the Authority's management in a separate letter dated December 18, 2012.

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

BKD, LLP

December 18, 2012

The Comanche County Hospital Authority
Schedule of Findings and Responses
Year Ended June 30, 2012

Reference Number	Finding
	No matters are reportable.