The Comanche County Hospital Authority

Independent Auditor's Reports and Financial Statements

June 30, 2018 and 2017

BKD
CPAs & Advisors

The Comanche County Hospital Authority
June 30, 2018 and 2017

Contents

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Independent Auditor's Report

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of The Comanche County Hospital Authority (the Authority) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the Authority changed its method of accounting for previously reported goodwill with the adoption of Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our 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.

Combining Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
January 10, 2019

The Comanche County Hospital Authority

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

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, 2018 and 2017. 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) and Lawton Community Health Center (LCHC), which are considered operating divisions of the Authority.

Financial Highlights

- Cash, cash equivalents and investments decreased in 2018 by $4,071 or 7% and increased in 2017 by $3,660 or 7%.
- Capital assets, net decreased by $4,431 or 4% in 2018 and decreased by $4,398 or 4% in 2017.
- Long-term debt decreased by $6,577 or 7% in 2018 and increased by $1,384 or 1% in 2017.
- The Authority reported operating income of $2,751 and $2,791 in 2018 and 2017, respectively.
- The Authority's net position increased by $1,422 or 2% in 2018 and increased by $2,379 or 3% in 2017.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

The Authority's Net Position

The Authority's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the balance sheet. The Authority's net position increased by $1,422 or 2% in 2018 and increased by $2,379 or 3% in 2017 as shown in Table 1.

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

	2018	2017	2016
Assets			
Cash, cash equivalents and investments	$ 52,960	$ 57,031	$ 53,371
Patient accounts receivable, net	38,203	36,846	36,063
Other current assets	15,740	13,234	11,346
Capital assets, net	109,027	113,458	117,856
Other noncurrent assets	4,676	4,951	4,018
Total assets	220,606	225,520	222,654
Deferred Outflows of Resources	8,844	10,905	11,494
Total assets and deferred outflows of resources	$ 229,450	$ 236,425	$ 234,148
Liabilities			
Long-term debt, including current portion	$ 90,101	$ 96,678	$ 95,294
Other liabilities	58,383	60,158	61,599
Total liabilities	148,484	156,836	156,893
Deferred Inflows of Resources	15	60	105
Net Position			
Net investment in capital assets	32,022	30,018	37,759
Restricted – expendable for debt service	6,470	6,215	5,995
Unrestricted	42,459	43,296	33,396
Total net position	80,951	79,529	77,150
Total liabilities, deferred inflows of resources and net position	$ 229,450	$ 236,425	$ 234,148

Cash, cash equivalents and investments decreased in 2018 compared to 2017 by $4,071 or 7% as the Authority continued to see strong cash flows from operations coupled with a decline in cash flows from investing activities. Capital assets, net decreased in 2018 by $4,431 or 4% due to depreciation in the current year exceeding capital asset additions. Net pension liability decreased in 2018 compared to 2017 by $835 or 4% due primarily to increased Authority contributions in 2018.

Cash, cash equivalents and investments increased in 2017 compared to 2016 by $3,660 or 7% as the Authority continued to see strong cash flows from operations coupled with the incurrence of new debt to fund the completion of the emergency department renovation. Capital assets, net decreased in 2017 by $4,398 or 4% due to depreciation in the current year exceeding capital asset additions. Net pension liability increased in 2017 compared to 2016 by $1,964 or 10% due primarily to changes in actuarial assumptions in 2017.

Operating Results and Changes in the Authority's Net Position

In 2018, the Authority's net position increased by $1,422 or 2%, as shown in Table 2, compared to the increase in net position in 2017 of $2,379 or 3%.

Table 2: Operating Results and Changes in Net Position

	2018	2017	2016
Operating Revenues			
Net patient service revenue	$ 265,752	$ 261,136	$ 246,127
Grant revenue and other	9,093	9,239	11,212
Total operating revenues	274,845	270,375	257,339
Operating Expenses			
Salaries and wages and employee benefits	135,288	132,545	125,696
Purchased services and professional fees	61,723	58,542	60,532
Medical supplies and drugs	37,715	38,570	35,342
Depreciation and amortization	12,722	13,316	12,748
Supplies and other	24,646	24,611	24,537
Total operating expenses	272,094	267,584	258,855
Operating Income (Loss)	2,751	2,791	(1,516)
Nonoperating Revenues (Expenses)			
Noncapital grants and gifts	459	1,010	663
Gain on investments in joint ventures	307	1,475	708
Investment income	421	69	616
Interest expense and other financing costs	(3,563)	(3,053)	(3,174)
Total nonoperating revenues (expenses)	(2,376)	(499)	(1,187)
Capital Grants and Gifts	1,047	87	1,500
Increase (Decrease) in Net Position	$ 1,422	$ 2,379	$ (1,203)

Operating Income (Loss)

The first component of the overall change in the Authority's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services.

Operating results for 2018 decreased by $40 compared to the operating income in 2017 of $2,791. The primary components of the change in operating results are:

- An increase in net patient service revenue of $4,616 or 2% in conjunction with an increase in outpatient oncology services

- An increase in operating expenses of $4,510 or 2%, the primary components of which are:
  - An increase in salaries and wages and employee benefits of $2,743 or 2% in connection with the Authority's annual retention and recruitment efforts, particularly concerning registered nurses and physicians
  - An increase in purchased services and professional fees of $3,181 or 5% as a result of increases in patient volumes

Operating results for 2017 increased by $4,307 compared to the operating loss in 2016 of $1,516. The primary components of the change in operating results are:

- An increase in net patient service revenue of $15,009 or 6% in conjunction with an increase of 10% in inpatient days
- An increase in operating expenses of $8,729 or 3%, the primary components of which are:
  - An increase in salaries and wages and employee benefits of $6,849 or 5% in connection with the Authority's annual retention and recruitment efforts, particularly concerning registered nurses and physicians
  - A decrease in purchased services and professional fees of $1,990 or 3% primarily related to reductions in contract labor for registered nurses and locum physicians in conjunction with the Authority's retention and recruitment efforts
  - An increase in medical supplies and drugs of $3,228 or 9% as a result of increases in patient volumes in conjunction with increases in the costs of certain surgical supplies and implants

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) consist primarily of investment income, gain on investments in joint ventures, noncapital grants and gifts and interest expense. The Authority's total debt in 2018 and 2017 exceeded cash and investments and, as a result, interest expense exceeded investment income.

The Authority's Cash Flows

Changes in the Authority's cash flows are generally consistent with changes in operating income (loss) and nonoperating revenues (expenses), with the exception of changes in capital assets, net and long-term debt discussed above.

Capital Asset and Debt Administration

Capital Assets

At the end of 2018, the Authority had $109,027 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2018, the Authority acquired capital assets costing $7,712.

At the end of 2017, the Authority had $113,458 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2017, the Authority acquired capital assets costing $8,252.

Debt

At June 30, 2018 and 2017, the Authority had $90,101 and $96,678, respectively, in revenue bonds, notes payable and capital lease obligations outstanding as detailed in *Note 8* to the accompanying financial statements. During 2018, the Authority incurred $837 for the purchase of real estate. During 2017, the Authority incurred $1,008 for a new capital lease obligation, incurred $4,000 for a new note payable and drew an additional $3,233 on an existing note payable. At June 30, 2018 and 2017, the Authority's debt rating was BB+.

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 Authority's administration by telephoning 580.355.8620.

The Comanche County Hospital Authority

Balance Sheets

June 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	2018	2017
Current Assets		
Cash and cash equivalents	$ 10,482,926	$ 19,170,747
Restricted cash and investments – current	6,520,011	6,408,402
Patient accounts receivable, net of allowance; 2018 – $45,260,000, 2017 – $45,417,000	38,203,470	36,846,124
Accrued investment income	136,474	99,785
Due from related parties	3,088,668	2,658,773
Estimated amounts due from third-party payers	3,079,454	912,654
Supplies	5,777,877	5,415,310
Prepaid expenses and other	3,655,575	4,147,722
Total current assets	70,944,455	75,659,517
Noncurrent Cash and Investments		
Held by trustee for debt service	12,553,526	12,398,231
Less amount required to meet current obligations	6,520,011	6,408,402
	6,033,515	5,989,829
Other long-term investments	29,923,831	25,461,623
Total noncurrent cash and investments	35,957,346	31,451,452
Capital Assets, Net	109,027,064	113,458,277
Other Assets		
Investments in joint ventures	3,290,351	3,349,335
Other	1,386,509	1,601,436
Total other assets	4,676,860	4,950,771
Deferred Outflows of Resources	8,843,836	10,905,435
Total assets and deferred outflows of resources	$ 229,449,561	$ 236,425,452

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2018	2017
Current Liabilities		
Current maturities of long-term debt	$ 7,699,745	$ 7,396,455
Accounts payable	17,963,228	19,136,857
Accrued expenses	14,152,052	13,780,710
Accrued interest payable	1,837,494	1,937,547
Due to related parties	2,655,211	1,855,185
Total current liabilities	44,307,730	44,106,754
Long-Term Debt	82,401,611	89,281,346
Net Pension Liability	21,024,546	21,859,450
Other Long-Term Obligations	749,739	1,588,788
Total liabilities	148,483,626	156,836,338
Deferred Inflows of Resources	15,367	60,568
Net Position		
Net investment in capital assets	32,021,950	30,018,056
Restricted – expendable for debt service	6,469,917	6,214,569
Unrestricted	42,458,701	43,295,921
Total net position	80,950,568	79,528,546
Total liabilities, deferred inflows of resources and net position	$ 229,449,561	$ 236,425,452

The Comanche County Hospital Authority

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2018 – $52,596,730, 2017 – $51,174,070	$ 265,752,153	$ 261,135,663
Grant revenue	3,001,090	2,024,107
Other	6,091,444	7,214,425
Total operating revenues	274,844,687	270,374,195
Operating Expenses		
Salaries and wages	116,351,852	112,717,341
Employee benefits	18,935,915	19,827,177
Purchased services and professional fees	61,723,051	58,542,345
Medical supplies and drugs	37,715,228	38,570,340
Supplies and other	24,645,636	24,610,577
Depreciation and amortization	12,722,046	13,316,401
Total operating expenses	272,093,728	267,584,181
Operating Income	2,750,959	2,790,014
Nonoperating Revenues (Expenses)		
Noncapital grants and gifts	459,558	1,010,585
Gain on investments in joint ventures	306,748	1,475,415
Investment income	420,876	68,746
Interest expense and other financing costs	(3,563,219)	(3,052,963)
Total nonoperating revenues (expenses)	(2,376,037)	(498,217)
Excess of Revenues over Expenses Before Capital Grants and Gifts	374,922	2,291,797
Capital Grants and Gifts	1,047,100	87,395
Increase in Net Position	1,422,022	2,379,192
Net Position, Beginning of Year	79,528,546	77,149,354
Net Position, End of Year	$ 80,950,568	$ 79,528,546

The Comanche County Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Receipts from and on behalf of patients	$ 262,228,007	$ 259,514,801
Payments to suppliers and contractors	(124,533,082)	(125,464,181)
Payments to or on behalf of employees	(135,228,936)	(130,827,036)
Other receipts and payments, net	9,092,534	9,238,532
Net cash provided by operating activities	11,558,523	12,462,116
Noncapital Financing Activities		
Noncapital grants and gifts	459,558	1,010,585
Net cash provided by noncapital financing activities	459,558	1,010,585
Capital and Related Financing Activities		
Capital grants and gifts	1,047,100	87,395
Principal paid on long-term debt	(6,835,347)	(6,236,733)
Interest paid on long-term debt	(4,232,852)	(4,411,441)
Proceeds from issuance of long-term debt	837,000	7,232,891
Purchase of capital assets	(7,686,107)	(7,324,803)
Proceeds from sale of capital assets	31,888	159,373
Net cash used in capital and related financing activities	(16,838,318)	(10,493,318)
Investing Activities		
Interest on investments	753,353	488,532
Distributions from and investments in joint ventures	365,732	640,045
Purchase of investments	(31,643,034)	(35,199,374)
Proceeds from disposition of investments	26,767,974	34,315,354
Net cash provided by (used in) investing activities	(3,755,975)	244,557
Change in Cash and Cash Equivalents	(8,576,212)	3,223,940
Cash and Cash Equivalents, Beginning of Year	25,579,149	22,355,209
Cash and Cash Equivalents, End of Year	$ 17,002,937	$ 25,579,149

See Notes to Financial Statements

	2018	2017
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 10,482,926	$ 19,170,747
Cash and cash equivalents in noncurrent cash and investments		
Held by trustee for debt service	6,520,011	6,408,402
	$ 17,002,937	$ 25,579,149
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income	$ 2,750,959	$ 2,790,014
Depreciation and amortization	12,722,046	13,316,401
(Gain) loss on disposal of capital assets	7,377	(195,485)
Provision for uncollectible accounts	52,596,730	51,174,070
Changes in assets and liabilities		
Patient and other accounts receivable, net	(53,954,076)	(51,957,822)
Supplies and prepaid expenses	129,580	308,813
Estimated amounts due to third-party payers	(2,166,800)	(837,110)
Accounts payable and accrued expenses	(1,618,555)	(1,569,226)
Change in pension liability	526,538	1,840,352
Due to/from related parties	370,131	(2,290,341)
Other assets and liabilities	194,593	(117,550)
Net cash provided by operating activities	$ 11,558,523	$ 12,462,116
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	$ 983,528	$ 1,006,309
Capital lease obligations incurred for capital assets	$ -	$ 1,008,328
Noncash distribution from and contribution to equity investee	$ -	$ 627,269

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

Nature of Operations and Reporting Entity

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

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

CCMH primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in southwestern Oklahoma. CCMH also operates a rehabilitation unit, a 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 146-bed nursing facility in Lawton, 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 (FQHC). LCHC is an operating division of the Authority and operates the FQHC under a co-applicant agreement with Lawton Community Health Center, Inc., a not-for-profit organization.

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

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 deferred outflows of resources and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents excluding investments in noncurrent cash and investments. At June 30, 2018 and 2017, cash equivalents consisted of money market mutual funds with brokers.

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

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

Investments and Investment Income

The investments in joint ventures are reported on the equity method of accounting. All other investments are carried at fair value, which is determined using quoted market prices. Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition 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 and improvements	10–50 years
Equipment	3–20 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:

	2018	2017
Interest costs capitalized	$ 48,554	$ 696,117
Interest costs and other financing costs charged to expense	3,563,219	3,052,963
Total interest incurred	$ 3,611,773	$ 3,749,080

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.

Defined Benefit Pension Plan

The Authority has a single-employer defined benefit pension plan, the Comanche County Hospital Authority Employee Retirement Plan (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

The Authority is required to account for certain transactions that do not qualify for treatment as either assets or liabilities as deferred outflows or inflows of resources. Deferred outflows and inflows of resources are defined as a consumption (deferred outflows) or an acquisition (deferred inflows) of net position by the Authority that is applicable to a future reporting period.

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, regarding the classification of goodwill. Prior to the fiscal year 2015 implementation of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, entities reported goodwill, or excess consideration paid in an acquisition, as an asset. For such amounts, GASB 85 clarifies that entities should reclassify goodwill as a deferred outflow of resources. Based on these requirements, the Authority now reports goodwill as deferred outflows of resources. This did not have a material impact on the accompanying financial statements.

At June 30, 2018 and 2017, the deferred inflows and outflows of resources reported by the Authority on the accompanying balance sheets consisted of the following items:

	2018	2017
Deferred inflows related to pensions	$ 15,367	$ 60,568
Loss on defeasance of long-term debt, net	$ 955,676	$ 1,119,795
Excess consideration paid in an acquisition	4,376,636	4,867,473
Deferred outflows related to pensions	3,511,524	4,918,167
Total deferred outflows	$ 8,843,836	$ 10,905,435

Net Position

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

Net Patient Service Revenue

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

Charity Care

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

Income Taxes

As an essential government function of the County, 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. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Foundation

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

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 is currently scheduled to sunset on December 31, 2020. The SHOPP 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.

SHOPP revenue is recorded as part of net patient service revenue and SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses and changes in net position. The amounts noted in the table below for the years ended June 30, 2018 and 2017, represent the approximate amounts received and paid by the Authority. The annual amounts to be received and paid by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds. Based on the current information available, the annual net benefit to the Authority over the term of the SHOPP is not expected to be materially different from the net amounts received in 2018.

	2018	2017
SHOPP funds received	$ 15,153,660	$ 14,272,000
SHOPP assessment fees paid	6,103,000	6,023,000
Net SHOPP benefit	$ 9,050,660	$ 8,249,000

Electronic Health Records Incentive Programs

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

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

CCMH attested to meeting the fourth-year requirements under the Medicare program during the year ended June 30, 2017. The revenue related to these programs for the years ended June 30, 2018 and 2017, which is included in other revenue on the accompanying statements of revenues, expenses and changes in net position, were approximately $12,000 and $598,000, respectively.

Revisions

Certain immaterial revisions have been made to the 2017 financial statements for amounts reported as estimated amounts due to third-party payers, patient accounts receivable, net of allowance and disclosures about investments in joint ventures in *Note 13*. These revisions did not have a significant impact on the financial statement line items impacted.

Note 2: Net Patient Service Revenue

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

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

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

Approximately 61% and 63% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes 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, 2018 and 2017, the Authority received approximately $3,001,000 and $2,024,000, 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 collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

At June 30, 2018 and 2017, approximately $162,000 and $0 of the Authority's bank balances of approximately $10,409,000 and $15,153,000, respectively, were exposed to custodial credit risk as follows:

	2018	2017
Uninsured and uncollateralized	$ 162,000	$ -
Uninsured and collateralized by irrevocable letters of credit from the Federal Home Loan Bank	10,247,000	15,153,000
Total interest incurred	$ 10,409,000	$ 15,153,000

Investments

The Authority has an investment policy related to its investment portfolio. This policy does not apply to investments held under trustee agreements related to bond indentures.

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

	2018				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Mortgage- and asset-backed securities of U.S. agencies	$ 22,922,737	$ 1,089,766	$ 11,685,367	$ 3,765,383	$ 6,382,221
Corporate bonds	3,532,141	-	1,637,499	1,894,642	-
Equity securities	3,732,553	3,732,553	-	-	-
Money market mutual funds	12,805,791	12,805,791	-	-	-
	42,993,222	$ 17,628,110	$ 13,322,866	$ 5,660,025	$ 6,382,221
Accrued investment income	136,474				
	$ 43,129,696				

	2017				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Mortgage- and asset-backed securities of U.S. agencies	$ 25,222,366	$ 2,113,031	$ 22,954,615	$ -	$ 154,720
Equity securities	239,256	239,256	-	-	-
Money market mutual funds	20,823,126	20,823,126	-	-	-
	46,284,748	$ 23,175,413	$ 22,954,615	$ -	$ 154,720
Accrued investment income	99,785				
	$ 46,384,533				

- **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 money market mutual funds are presented as investments with maturities of less than one year because the average maturity of the funds is less than one year.

- **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, certificates of deposit and money market mutual funds are acceptable security types under the Authority's investment policy. At June 30, 2018 and 2017, the Authority's investments not directly guaranteed by the U.S. government were rated as follows:

	2018		2017	
Type	Moody's	S & P	Moody's	S & P
Mortgage- and asset-backed securities of U.S. agencies	Aaa	AA+	Aaa	AA+
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, 2018 and 2017, the Authority's investments in mortgage- and asset-backed securities are held by counterparties in other than the Authority's name. The Authority's investment policy does not address how securities underlying repurchase agreements are to be held.

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

At June 30, 2018, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal National Mortgage Association	$ 6,511,755	15.1%
Federal Home Loan Mortgage Corporation	$ 2,421,852	5.6%
Federal Home Loan Bank	$ 3,590,896	8.3%
Federal Farm Credit Bank	$ 7,524,277	17.4%

At June 30, 2017, the following investments exceeded 5% of the total fair value of all investments:

Investment	Fair Value	Percentage of Total
Federal National Mortgage Association	$ 9,587,544	20.7%
Federal Home Loan Mortgage Corporation	$ 8,436,538	18.2%
Federal Home Loan Bank	$ 4,106,946	8.8%
Federal Farm Credit Bank	$ 2,448,150	5.3%

Summary of Carrying Values

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

	2018	2017
Carrying value		
Deposits	$ 9,967,061	$ 10,745,853
Investments	43,129,696	46,384,533
	$ 53,096,757	$ 57,130,386
Included in the following balance sheet captions		
Cash and cash equivalents	$ 10,482,926	$ 19,170,747
Restricted cash and investments – current	6,520,011	6,408,402
Noncurrent cash and investments	35,957,346	31,451,452
Accrued investment income	136,474	99,785
	$ 53,096,757	$ 57,130,386

Investment Income

Investment income for the years ended June 30 consisted of:

	2018	2017
Interest and dividend income	$ 790,042	$ 517,463
Net decrease in fair value of investments	(369,166)	(448,717)
	$ 420,876	$ 68,746

Note 4: Patient Accounts Receivable

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

	2018	2017
Medicare	$ 13,022,831	$ 15,792,493
Medicaid	5,842,738	5,286,219
Other third-party payers	41,216,046	40,533,440
Patients	23,381,855	20,650,972
	83,463,470	82,263,124
Less allowance for uncollectible accounts	45,260,000	45,417,000
	$ 38,203,470	$ 36,846,124

Note 5: Capital Assets

Capital assets activity for the years ended June 30 was:

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 4,297,371	$ -	$ -	$ -	$ 4,297,371
Land improvements	9,359,209	-	-	66,993	9,426,202
Buildings and improvements	162,277,011	-	-	1,965,327	164,242,338
Equipment	138,076,404	434,798	(745,788)	4,453,139	142,218,553
Construction in progress	3,089,313	7,277,082	-	(6,485,459)	3,880,936
	317,099,308	7,711,880	(745,788)	-	324,065,400
Less accumulated depreciation					
Land improvements	7,184,034	297,428	-	-	7,481,462
Buildings and improvements	84,262,071	5,984,801	-	-	90,246,872
Equipment	112,194,926	5,852,042	(736,966)	-	117,310,002
	203,641,031	12,134,271	(736,966)	-	215,038,336
Capital assets, net	$ 113,458,277	$ (4,422,391)	$ (8,822)	$ -	$ 109,027,064

	2017				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 3,944,883	$ -	$ -	$ 352,488	$ 4,297,371
Land improvements	9,210,139	-	-	149,070	9,359,209
Buildings and improvements	138,619,700	-	-	23,657,311	162,277,011
Equipment	139,643,719	426,346	(4,487,893)	2,494,232	138,076,404
Construction in progress	21,917,075	7,825,339	-	(26,653,101)	3,089,313
	313,335,516	8,251,685	(4,487,893)	-	317,099,308
Less accumulated depreciation					
Land improvements	6,892,396	291,638	-	-	7,184,034
Buildings and improvements	79,174,716	5,087,355	-	-	84,262,071
Equipment	109,411,956	7,258,967	(4,475,997)	-	112,194,926
	195,479,068	12,637,960	(4,475,997)	-	203,641,031
Capital assets, net	$ 117,856,448	$ (4,386,275)	$ (11,896)	$ -	$ 113,458,277

Note 6: Medical Malpractice Claims

The Authority purchases medical malpractice insurance for services under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable costs of such incidents. At June 30, 2018 and 2017, the Authority accrued approximately $300,000 and $250,000, respectively, based on its claims experience for these claims. It is reasonably possible that these estimates could change materially in the near term.

Because the Authority was created by the County, management believes the limit of liability for any individual tort claim not covered by insurance would be limited to $125,000 under Oklahoma state law.

Note 7: Self-Insured Claims

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

- Workers' compensation – first $450,000 per accident
- Health and dental care – first $350,000 per person per year

A provision is accrued for self-insured workers' compensation 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 the Authority's estimate will change by a material amount in the near term.

Activity in the Authority's accrued liability for self-insured plans, included in accrued expenses and other long-term liabilities on the accompanying balance sheets, during the years ended June 30 is summarized as follows:

	2018	
	Employee Health and Dental Benefits	Workers' Compensation
Balance, beginning of year	$ 1,326,864	$ 952,771
Current year claims incurred and changes in estimates for claims incurred in prior years	8,469,286	116,529
Claims and expenses paid	(8,676,746)	(465,757)
Balance, end of year	$ 1,119,404	$ 603,543

	2017	
	Employee Health and Dental Benefits	Workers' Compensation
Balance, beginning of year	$ 1,328,370	$ 1,001,312
Current year claims incurred and changes in estimates for claims incurred in prior years	8,032,615	585,955
Claims and expenses paid	(8,034,121)	(634,496)
Balance, end of year	$ 1,326,864	$ 952,771

In June 2018 and 2017, the Oklahoma Workers' Compensation Court required the Authority to post collateral for self-insured claims in the form of letters of credit with a bank in the amount of $500,000 and $792,000, respectively, in the event the Authority was unable to pay its claims. As of the date of the Independent Auditor's Report, no amounts have been drawn on these letters of credit.

Note 8: Long-Term Obligations

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

	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2012A Revenue Bonds	$ 34,790,009	$ -	$ (1,081,734)	$ 33,708,275	$ 1,112,112
Series 2012B Revenue Bonds	9,185,000	-	(670,000)	8,515,000	695,000
Series 2015 Revenue Bonds	38,565,952	-	(3,296,364)	35,269,588	3,391,429
Note payable to bank (A)	9,184,621	-	(1,701,893)	7,482,728	1,758,694
Note payable to bank (B)	3,796,267	-	(349,481)	3,446,786	361,864
Note payable to bank (C)	-	837,000	(50,236)	786,764	120,625
Note payable to third party	76,442	-	(34,911)	41,531	35,545
Capital lease obligations	1,079,510	-	(228,826)	850,684	224,476
Total long-term debt	96,677,801	837,000	(7,413,445)	90,101,356	7,699,745
Other long-term liabilities					
Estimated self-insurance costs	952,771	116,529	(465,757)	603,543	106,543
Deferred compensation plans	1,133,769	-	(344,049)	789,720	536,981
Total long-term obligations	$ 98,764,341	$ 953,529	$ (8,223,251)	$ 91,494,619	$ 8,343,269

	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2012A Revenue Bonds	$ 35,841,207	$ -	$ (1,051,198)	$ 34,790,009	$ 1,081,733
Series 2012B Revenue Bonds	9,830,000	-	(645,000)	9,185,000	670,000
Series 2015 Revenue Bonds	41,755,450	-	(3,189,498)	38,565,952	3,296,365
Note payable to bank (A)	7,634,444	3,232,891	(1,682,714)	9,184,621	1,701,814
Note payable to bank (B)	-	4,000,000	(203,733)	3,796,267	350,307
Note payable to third party	110,731	-	(34,289)	76,442	34,911
Capital lease obligations	122,178	1,008,328	(50,996)	1,079,510	261,325
Total long-term debt	95,294,010	8,241,219	(6,857,428)	96,677,801	7,396,455
Other long-term liabilities					
Estimated self-insurance costs	1,001,312	585,955	(634,496)	952,771	455,771
Deferred compensation plans	1,846,043	306,529	(1,018,803)	1,133,769	41,981
Total long-term obligations	$ 98,141,365	$ 9,133,703	$ (8,510,727)	$ 98,764,341	$ 7,894,207

Revenue Bonds Payable

The revenue bonds payable consist of the following:

- Series 2012A Hospital Revenue Refunding Bonds (Series 2012A Revenue Bonds), in the original amount of $36,790,000 dated December 14, 2012, bear interest at 3.00% to 5.00%, payable semiannually. Principal is payable in annual installments through July 2042. The Authority is required to make monthly deposits to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2022, at a redemption price of 100%. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement. The principal of these bonds was split between CCMH and MTNC. The allocation of the principal amounts and respective maturity dates related to CCMH and MTNC are as follows:

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

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

	2018	2017
Principal amount	$ 32,445,000	$ 33,390,000
Plus unamortized premium	1,263,275	1,400,009
Net amount outstanding	$ 33,708,275	$ 34,790,009

- Series 2012B Hospital Revenue Refunding Bonds (the Series 2012B Revenue Bonds), in the original amount of $9,830,000 dated December 14, 2012, bear interest at 3.43% to 5.90%, payable semiannually. Principal is payable in annual installments through July 2027. The Authority is required to make monthly deposits to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2022, at a redemption price of 100%. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement.

- Series 2015 Hospital Revenue Refunding Bonds (the Series 2015 Revenue Bonds), in the original amount of $41,575,000 dated April 7, 2015, bear interest at 3.13% to 5.00%, payable semiannually. Principal is payable in annual installments through July 2029 and was used to refund the Series 2005 Revenue Bonds and a portion of one of the notes payable to bank. The

Authority is required to make monthly deposits to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Authority's option on or after July 1, 2025, at a redemption price of 100%. The bonds are secured by the net revenues of the Authority and the assets restricted under the bond indenture agreement.

When the Series 2015 Revenue Bonds were issued, the bonds were sold at a premium of approximately $3,754,000. At June 30, 2018 and 2017, the outstanding balance of the Series 2015 Revenue Bonds was as follows:

	2018	2017
Principal amount	$ 33,045,000	$ 35,900,000
Plus unamortized premium	2,224,588	2,665,952
Net amount outstanding	$ 35,269,588	$ 38,565,952

The revenue bonds' indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the accompanying balance sheets. The indentures also require the Authority to comply with certain restrictive covenants, including minimum insurance coverage, maintaining a debt service coverage ratio of at least 1.10 to 1.00, restrictions on incurrence of additional debt and maintaining a minimum days cash on hand.

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

The prior advance refunding transactions resulted in an accounting loss on the extinguishment of the long-term debt. This loss on refunding is shown as deferred outflows of resources on the accompanying balance sheets and is being amortized using the straight-line method over the life of the respective new bond issues.

The debt service requirements as of June 30, 2018, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	$ 8,821,994	$ 5,198,541	$ 3,623,453
2020	8,785,897	5,391,665	3,394,232
2021	8,728,337	5,577,540	3,150,797
2022	8,674,436	5,780,963	2,893,473
2023	8,618,535	5,996,799	2,621,736
2024–2028	33,661,067	24,418,465	9,242,602
2029–2033	22,447,398	19,153,458	3,293,940
2034–2038	3,664,434	2,683,191	981,243
2039–2043	3,653,386	3,292,241	361,145
	$ 107,055,484	$ 77,492,863	$ 29,562,621

Note Payable to Bank (A)

The first note payable to bank was entered into by the Authority in October 2013 in the original amount of $27,000,000 with $18,000,000 being a variable rate note and $9,000,000 being a fixed rate note. The proceeds of the note were used by CCMH and MTNC.

In April 2015, the Authority amended the note payable to bank. The amended debt combined the two separate notes into one note carrying a fixed interest rate of 3.25% annually. The amended note matures on the earlier of April 7, 2025, or as the loan becomes due and payable pursuant to the repayment schedule. The amended note allowed for draws on the note up to $16,835,000 through December 31, 2015. Payments of principal and interest are due monthly in the amount of $164,892.

In October 2016, the Authority further amended the note payable allowing for draws on the note through December 31, 2017.

The debt service requirements as of June 30, 2018, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	$ 1,978,708	$ 1,758,694	$ 220,014
2020	1,978,708	1,817,063	161,645
2021	1,978,708	1,878,206	100,502
2022	1,978,707	1,940,980	37,727
2023	88,022	87,785	237
	$ 8,002,853	$ 7,482,728	$ 520,125

Note Payable to Bank (B)

In October 2015, the Authority obtained a $5,000,000 revolving bank line of credit for operations. In October 2016, the revolving line of credit was converted to a note payable to bank in the amount of $4,000,000 due October 1, 2026, with principal and interest at 3.25% payable monthly beginning December 2016. This note is secured by all pledged revenues of the Authority.

The debt service requirements as of June 30, 2018, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	$ 468,493	$ 361,864	$ 106,629
2020	468,493	373,801	94,692
2021	468,492	386,132	82,360
2022	468,492	398,870	69,622
2023	468,492	412,028	56,464
2024–2027	1,601,699	1,514,091	87,608
	$ 3,944,161	$ 3,446,786	$ 497,375

Note Payable to Bank (C)

In January 2018, the Authority entered into a third note payable to bank, which allows draws on the note up to $1,237,000. At June 30, 2018, $837,000 had been drawn against this note, the proceeds of which were used by CCMH to purchase real property. Payments of principal and interest at 4.5% are due monthly in the amount of $12,835 maturing January 16, 2028. The note is secured by certain real property of the Authority.

The debt service requirements as of June 30, 2018, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	$ 154,025	$ 120,625	$ 33,400
2020	154,026	126,172	27,854
2021	154,025	132,124	21,901
2022	154,026	138,280	15,746
2023	154,025	144,722	9,303
2024–2028	127,461	124,841	2,620
	$ 897,588	$ 786,764	$ 110,824

Note Payable to Third Party

The note payable to third party is due July 1, 2019, including principal and interest of 1.8% annually, payable monthly. The note is secured by a mortgage of real property. The debt service requirements for the Authority's note payable to third party as of June 30, 2018, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	$ 36,000	$ 35,545	$ 455
2020	6,000	5,986	14
	$ 42,000	$ 41,531	$ 469

Capital Lease Obligations

The Authority is obligated under leases for equipment that are accounted for as capital leases. Capital assets acquired using capital leases at June 30 consisted of the following:

	2018	2017
Capital assets, at cost	$ 1,167,240	$ 1,167,240
Less accumulated depreciation	332,477	57,329
	$ 834,763	$ 1,109,911

The following is a schedule by year of future minimum lease payments under the capital leases, including interest rates of 0.52% to 10.72%, together with the present value of the future minimum lease payments as of June 30, 2018:

Year Ending June 30,	
2019	$ 239,536
2020	224,238
2021	224,238
2022	224,227
2023	6,233
Total minimum lease payments	918,472
Less amount representing interest	67,788
Present value of future minimum lease payments	$ 850,684

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.

The costs of charity care provided under the Authority's charity care policy were approximately $1,881,000 and $1,087,000 for 2018 and 2017, respectively. The cost of charity care is estimated by applying the ratio of costs to gross charges from the most recent Medicare cost report.

In addition to uncompensated care, the Authority also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, community educational services, ambulance services, rural clinics and various support groups.

Note 10: Pension Plan

Plan Description

The Authority maintains the Comanche County Hospital Authority Employee Retirement Plan (the Plan), a single-employer defined benefit pension plan covering substantially all employees. The Plan is administered by the Plan's board of trustees whose members are appointed by the Authority's governing body. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority's governing body. The Plan does not issue a separate report that includes financial statements and required supplementary information for the Plan.

Benefits Provided

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated as 0.6% of the participant's Final Average Compensation, as defined by the Plan, multiplied by the participant's years of credited service at retirement or termination. Death benefits are equal to the vested benefits and allow for qualifying surviving spouses to receive 50% of the amount the participant would have received. The normal retirement age under the Plan is 65, with certain defined exceptions.

The employees covered by the Plan at June 30 are:

	2018	2017
Inactive employees or beneficiaries currently receiving benefits	322	298
Inactive employees entitled to but not yet receiving benefits	287	266
Active employees	959	1,117
	1,568	1,681

Contributions

The Authority's governing body has the authority to establish and amend the contribution requirements of the Authority and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2018 and 2017, the Authority contributed approximately $4,065,000 and $2,305,000, respectively, to the Plan. Participants do not contribute to the Plan.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

The total pension liability in the June 30, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Inflation	2.000%	2.000%
Salary increase (average, including inflation)	2.000%	3.000%
Investment rate of return (net of pension plan investment expense)	6.500%	6.625%

Mortality rates were based on the 2016 IRS Prescribed Mortality – Optional Combined Table for Small Plans – Male and Female for the 2017 valuation and on the Adjusted RP-2014 Blue Collar Mortality with Improvement Scale MP-2017 for the 2018 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Rate of Return
Asset Class		
Domestic stocks – large cap	28.00%	7.85%
Domestic stocks – mid cap	13.00%	8.10%
Domestic stocks – small cap	8.00%	8.55%
International stocks	16.00%	8.10%
Real estate	15.00%	7.23%
Core bond	15.00%	3.75%
High-yield bonds	5.00%	6.70%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.500% and 6.625% for the years ended June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability are:

	2018		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	$ 66,240,428	$ 44,380,978	$ 21,859,450
Changes for the year			
Service cost	567,909	-	567,909
Interest	4,305,786	-	4,305,786
Differences between expected and actual experience	335,027	-	335,027
Contributions – employer	-	4,065,000	(4,065,000)
Net investment income	-	3,141,633	(3,141,633)
Benefit payments	(3,448,693)	(3,448,693)	-
Administrative expense	-	(103,077)	103,077
Change of assumptions	1,059,930	-	1,059,930
Net changes	2,819,959	3,654,863	(834,904)
Balance, end of year	$ 69,060,387	$ 48,035,841	$ 21,024,546

	2017		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	$ 61,531,491	$ 41,635,791	$ 19,895,700
Changes for the year			
Service cost	655,666	-	655,666
Interest	4,087,742	-	4,087,742
Differences between expected and actual experience	2,180,773	-	2,180,773
Contributions – employer	-	2,305,000	(2,305,000)
Net investment income	-	3,717,334	(3,717,334)
Benefit payments	(3,228,627)	(3,228,627)	-
Administrative expense	-	(48,520)	48,520
Change of assumptions	1,013,383	-	1,013,383
Net changes	4,708,937	2,745,187	1,963,750
Balance, end of year	$ 66,240,428	$ 44,380,978	$ 21,859,450

The net pension liability of the Authority has been calculated using a discount rate of 6.500%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability	$ 29,676,300	$ 21,024,546	$ 13,907,949

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

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of approximately $4,592,000 and $4,145,000, respectively. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,178,154	$ 15,367
Change in assumptions	1,661,871	-
Net difference between projected and actual earnings on pension plan investments	671,499	-
Total	$ 3,511,524	$ 15,367

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,662,971	$ 60,568
Change in assumptions	1,669,410	-
Net difference between projected and actual earnings on pension plan investments	1,585,786	-
Total	$ 4,918,167	$ 60,568

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

2019	$ 2,551,174
2020	1,184,128
2021	(193,925)
2022	(45,220)
Total	$ 3,496,157

Pension Plan Fiduciary Net Position

As of June 30, the Plan's fiduciary net position was comprised of the following:

	2018	2017
Pooled investments, at fair value		
Equities	$ 33,976,020	$ 21,096,361
Fixed income	13,915,590	18,165,177
Balanced asset allocation	56,437	1,999,071
Other	87,844	3,120,369
Total pooled investments, at fair value	$ 48,035,891	$ 44,380,978
Total plan fiduciary net position	$ 48,035,891	$ 44,380,978

Investment Policy – Investment policy decisions are established and maintained by the Administrative Committee charged with overseeing the pension plan, as authorized by the Authority's Board of Trustees. The Administrative Committee employs and selects investment managers.

The primary goal of a pension fund is to help pay the cost of the pension plan while providing adequate security to meet the benefits promised under the pension plan. As a consequence, two important dimensions of a pension plan's investment program are expected return and expected risk.

The pension plan trustees diversify pension plan investments among asset classes, recognizing that there is a relationship between the level of risk assumed in an investment program and the level of return that should be expected. Appropriate diversification better enables balance of risk and return.

Investment Rate of Return – The annual money-weighted rate of return on pension plan investments, net of expenses, which expresses net investment performance adjusted for changing amounts actually invested each month was approximately 7.1% for the 12 months ended June 30, 2018.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a separate policy covering credit risk.

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. The Plan's investment policy does not address how investments are to be held.

Concentration of Credit Risk – The Plan does not have a policy to limit its holdings in any one issuer. At June 30, 2018 and 2017, all of the Plan's investments were held through the Plan's investment manager, The Principal Group.

At June 30, the Plan's investments had the following maturities:

	2018				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Pooled investments, at fair value					
Equities	$ 33,976,020	$ 33,976,020	$ -	$ -	$ -
Fixed income	13,915,590	3,117,064	3,735,475	3,075,799	3,987,252
Balanced asset allocation	56,437	40,378	6,265	4,124	5,670
Other	87,844	87,844	-	-	-
	$ 48,035,891	$ 37,221,306	$ 3,741,740	$ 3,079,923	$ 3,992,922

	2017				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Pooled investments, at fair value					
Equities	$ 21,096,361	$ 21,096,361	$ -	$ -	$ -
Fixed income	18,165,177	697,602	5,999,560	5,318,766	6,149,249
Balanced asset allocation	1,999,071	1,486,535	202,913	236,535	73,088
Other	3,120,369	3,120,369	-	-	-
	$ 44,380,978	$ 26,400,867	$ 6,202,473	$ 5,555,301	$ 6,222,337

Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

The fair value of the pension plan assets at June 30 was as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2018				
Pooled Investments by Fair Value Level				
Equities	$ 33,976,020	$ -	$ 33,976,020	$ -
Fixed income	13,915,590	-	13,915,590	-
Balanced asset allocation	56,437	-	56,437	-
Other	87,844	-	87,844	-
Total pooled investments by fair value level	$ 48,035,891	$ -	$ 48,035,891	$ -
2017				
Pooled Investments by Fair Value Level				
Equities	$ 21,096,361	$ -	$ 21,096,361	$ -
Fixed income	18,165,177	-	18,165,177	-
Balanced asset allocation	1,999,071	-	1,999,071	-
Other	3,120,369	-	3,120,369	-
Total pooled investments by fair value level	$ 44,380,978	$ -	$ 44,380,978	$ -

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Plan did not hold any Level 1 or Level 3 securities at June 30, 2018 or 2017.

Note 11: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

		Fair Value Measurements Using		
Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2018				
Investments by Fair Value Level				
Mortgage- and asset-backed securities of U.S. agencies	$ 22,922,737	$ 18,390,061	$ 4,532,676	$ -
Corporate bonds	3,532,141	354,909	3,177,232	-
Equity securities	3,732,553	3,732,553	-	-
Money market mutual funds	12,805,791	12,805,791	-	-
Total investments by fair value level	$ 42,993,222	$ 35,283,314	$ 7,709,908	$ -

		Fair Value Measurements Using		
Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017				
Investments by Fair Value Level				
Mortgage- and asset-backed securities of U.S. agencies	$ 25,222,366	$ 4,991,469	$ 20,230,897	$ -
Equity securities	239,256	239,256	-	-
Money market mutual funds	20,823,126	20,823,126	-	-
Total investments by fair value level	$ 46,284,748	$ 26,053,851	$ 20,230,897	$ -

Note 12: Related-Party Information

Comanche County Memorial Hospital Foundation, Inc.

The Foundation, a not-for-profit corporation with a separate board of directors, was established in February 1993 to support the educational and charitable purposes of CCMH. CCMH provides administrative services and supplies to the Foundation. At June 30, 2018 and 2017, no amounts were owed by the Foundation as a result of these purchases and services.

Cancer Centers of Southwest Oklahoma, LLC

As discussed below, the Authority is a member of Cancer Centers of Southwest Oklahoma, LLC (CCSO). For the years ended June 30, 2018 and 2017, the Authority recorded revenue from CCSO in the amounts of approximately $7,936,000 and $7,231,000, respectively, for space rental, purchases and services provided by the Authority to or on behalf of CCSO. At June 30, 2018 and 2017, CCSO owed the Authority approximately $2,765,000 and $2,204,000, 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, 2018 and 2017, the Authority incurred approximately $22,502,000 and $18,793,000, respectively, of expense and owed CCSO approximately $2,655,000 and $1,855,000 at June 30, 2018 and 2017, respectively, related to these services. These amounts are included in the accompanying balance sheets in due to related parties.

Note 13: Investments in Joint Ventures

The investments in joint ventures relate to a 25% ownership in MSO Healthcare of Oklahoma, LLC (MSO), an approximate 46% ownership in CCSO and an approximate 10% ownership in LifeCare Health Services, L.L.C. (LifeCare). These investments in joint ventures are accounted for using the equity method.

The financial position and results of operations of the investees are summarized below. The information summarized below represents the results of operations for CCSO, MSO and LifeCare for the fiscal years ended June 30:

	2018		
	CCSO (Audited)	MSO (Unaudited)	LifeCare (Unaudited)
Current assets	$ 13,298,822	$ 145,025	$ 6,764,287
Property and other long-term assets, net	16,076,390	292,013	304,243
Total assets	$ 29,375,212	$ 437,038	$ 7,068,530
Total liabilities	$ 23,934,266	$ 147,813	$ 167,579
Partners' equity	5,440,946	289,225	6,900,951
Total liabilities and partners' equity	$ 29,375,212	$ 437,038	$ 7,068,530
Revenues	$ 37,970,552	$ 350,226	$ 2,132,596
Excess (deficiency) of revenues over expenses	$ 1,804,579	$ (60,304)	$ 428,950

	2017		
	CCSO (Audited)	MSO (Unaudited)	LifeCare (Unaudited)
Current assets	$ 13,207,609	$ 150,809	$ 6,146,385
Property and other long-term assets, net	17,888,355	350,477	482,550
Total assets	$ 31,095,964	$ 501,286	$ 6,628,935
Total liabilities	$ 26,659,597	$ 151,757	$ 212,074
Partners' equity	4,436,367	349,529	6,416,861
Total liabilities and partners' equity	$ 31,095,964	$ 501,286	$ 6,628,935
Revenues	$ 34,862,191	$ 216,106	$ 1,018,679
Excess (deficiency) of revenues over expenses	$ 830,152	$ (90,579)	$ 122,410

Complete financial statements of the joint venture entities may be obtained by contacting the Authority's management.

Note 14: 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. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Required Supplementary Information

The Comanche County Hospital Authority

Required Supplementary Information

Schedule of Changes in the Authority's Net Pension Liability and Related Ratios

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 567,909	$ 655,666	$ 682,446	$ 637,179
Interest	4,305,786	4,087,742	3,984,688	3,863,517
Differences between expected and actual experience	335,027	2,180,773	252,114	(196,171)
Change of assumptions	1,059,930	1,013,383	1,756,164	58,934
Benefit payments	(3,448,693)	(3,228,627)	(2,882,449)	(2,509,568)
Other changes	-	-	11,184	-
Net change in total pension liability	2,819,959	4,708,937	3,804,147	1,853,891
Total pension liability – beginning	66,240,428	61,531,491	57,727,344	55,873,453
Total pension liability – ending (a)	69,060,387	66,240,428	61,531,491	57,727,344
Plan fiduciary net position				
Contributions – employer	4,065,000	2,305,000	2,315,000	2,425,000
Net investment income	3,141,633	3,717,334	402,171	750,448
Benefit payments	(3,448,693)	(3,228,627)	(2,882,449)	(2,509,568)
Administrative expense	(103,077)	(48,520)	(73,190)	(44,173)
Net change in plan fiduciary net position	3,654,863	2,745,187	(238,468)	621,707
Plan fiduciary net position – beginning	44,380,978	41,635,791	41,874,259	41,252,552
Plan fiduciary net position – ending (b)	48,035,841	44,380,978	41,635,791	41,874,259
Net pension liability – ending (a) - (b)	$ 21,024,546	$ 21,859,450	$ 19,895,700	$ 15,853,085
Plan fiduciary net position as a percentage of the total pension liability	69.56%	67.00%	67.67%	72.54%
Covered employee payroll	$ 47,064,691	$ 50,454,740	$ 56,460,170	$ 51,828,978
Net pension liability as a percentage of covered employee payroll	44.67%	43.32%	35.24%	30.59%

Notes to Schedule

Change in assumptions:

- Investment rate of return reduced from 6.625% to 6.500%
- Mortality table updated to Adjusted RP-2014 Blue Collar Mortality with Improvement Scale MP-2017

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

The Comanche County Hospital Authority

Required Supplementary Information

Schedule of the Authority's Contributions

	2018	2017	2016	2015
Actuarially determined contributions	$ 3,977,101	$ 3,723,996	$ 2,818,799	$ 2,365,504
Contributions in relation to the actuarially determined contributions	4,065,000	2,305,000	2,315,000	2,425,000
Contribution deficiency (excess)	$ (87,899)	$ 1,418,996	$ 503,799	$ (59,496)
Covered employee payroll	$ 47,064,691	$ 50,454,740	$ 56,460,170	$ 51,828,978
Contributions as a percentage of covered employee payroll	8.64%	4.57%	4.10%	4.68%

Notes to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Valuation date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Initial unfunded actuarial accrued liability – 15 years Amendments and assumption changes – 10 years
Remaining amortization period:	Initial unfunded actuarial accrued liability – 12 years
Asset valuation method:	Market Value
Inflation:	2.000%
Salary increases:	2.000%
Investment rate of return:	6.500%
Retirement age:	If hired on or after July 1, 1992 – the later of age 65 or 10 years of vested service If hired before July 1, 1992 – attained age 65
Mortality:	Adjusted RP-2014 Blue Collar Mortality with Improvement Scale MP-2017

Supplementary Information

The Comanche County Hospital Authority

Combining Schedule – Balance Sheet Information

June 30, 2018

	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and cash equivalents	$ 7,494,206	$ 230,073	$ 2,758,647	$ -	$ 10,482,926
Restricted cash and investments – current	6,035,019	484,992	-	-	6,520,011
Patient accounts receivable, net; $45,260,000	36,353,692	756,971	1,092,807	-	38,203,470
Accrued investment income	136,474	-	-	-	136,474
Due from related parties	9,383,156	-	111,843	(6,406,331)	3,088,668
Estimated amounts due from third-party payers	3,079,454	-	-	-	3,079,454
Supplies	5,705,803	13,877	58,197	-	5,777,877
Prepaid expenses and other	3,558,354	48,250	48,971	-	3,655,575
Total current assets	71,746,158	1,534,163	4,070,465	(6,406,331)	70,944,455
Noncurrent Cash and Investments					
Held by trustee for debt service	10,521,731	2,031,795	-	-	12,553,526
Less amount required to meet current obligations	6,035,019	484,992	-	-	6,520,011
	4,486,712	1,546,803	-	-	6,033,515
Other long-term investments	29,923,831	-	-	-	29,923,831
Total noncurrent cash and investments	34,410,543	1,546,803	-	-	35,957,346
Capital Assets, Net	89,505,768	16,721,794	2,799,502	-	109,027,064
Other Assets					
Investments in joint ventures	3,290,351	-	-	-	3,290,351
Other	1,386,509	-	-	-	1,386,509
Total other assets	4,676,860	-	-	-	4,676,860
Deferred Outflows of Resources	8,514,056	329,780	-	-	8,843,836
Total assets and deferred outflows of resources	$ 208,853,385	$ 20,132,540	$ 6,869,967	$ (6,406,331)	$ 229,449,561

	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Current maturities of long-term debt	$ 6,496,489	$ 1,203,256	$ -	$ -	$ 7,699,745
Accounts payable	17,321,707	175,025	466,496	-	17,963,228
Accrued expenses	13,419,227	732,825	-	-	14,152,052
Accrued interest payable	1,579,473	258,021	-	-	1,837,494
Due to related parties	2,767,054	6,294,488	-	(6,406,331)	2,655,211
Total current liabilities	41,583,950	8,663,615	466,496	(6,406,331)	44,307,730
Long-Term Debt	69,982,849	12,418,762	-	-	82,401,611
Net Pension Liability	19,568,087	1,456,459	-	-	21,024,546
Other Long-Term Obligations	749,739	-	-	-	749,739
Total liabilities	131,884,625	22,538,836	466,496	(6,406,331)	148,483,626
Deferred Inflows of Resources	14,427	940	-	-	15,367
Net Position					
Net investment in capital assets	24,575,869	4,646,579	2,799,502	-	32,021,950
Restricted – expendable for debt service	6,242,946	226,971	-	-	6,469,917
Unrestricted	46,135,518	(7,280,786)	3,603,969	-	42,458,701
Total net position	76,954,333	(2,407,236)	6,403,471	-	80,950,568
Total liabilities, deferred inflows of resources and net position	$ 208,853,385	$ 20,132,540	$ 6,869,967	$ (6,406,331)	$ 229,449,561

Note to Schedule

The Authority’s investment in CCSO is presented in the Comanche County Memorial Hospital column of these combining schedules.

The Comanche County Hospital Authority

Combining Schedule – Balance Sheet Information

June 30, 2017

	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and cash equivalents	$ 16,114,102	$ 269,712	$ 2,786,933	$ -	$ 19,170,747
Restricted cash and investments – current	5,880,082	528,320	-	-	6,408,402
Patient accounts receivable, net; $45,417,000	35,362,121	1,058,147	425,856	-	36,846,124
Accrued investment income	99,785	-	-	-	99,785
Due from related parties	7,769,510	-	-	(5,110,737)	2,658,773
Estimated amounts due from third-party payers	912,654	-	-	-	912,654
Supplies	5,367,619	23,400	24,291	-	5,415,310
Prepaid expenses and other	3,860,173	59,818	227,731	-	4,147,722
Total current assets	75,366,046	1,939,397	3,464,811	(5,110,737)	75,659,517
Noncurrent Cash and Investments					
Held by trustee for debt service	10,323,108	2,075,123	-	-	12,398,231
Less amount required to meet current obligations	5,880,082	528,320	-	-	6,408,402
	4,443,026	1,546,803	-	-	5,989,829
Other long-term investments	25,461,623	-	-	-	25,461,623
Total noncurrent cash and investments	29,904,649	1,546,803	-	-	31,451,452
Capital Assets, Net	93,923,168	17,780,803	1,754,306	-	113,458,277
Other Assets					
Investments in joint ventures	3,349,335	-	-	-	3,349,335
Other	1,601,436	-	-	-	1,601,436
Total other assets	4,950,771	-	-	-	4,950,771
Deferred Outflows of Resources	10,264,829	776,219	-	(135,613)	10,905,435
Total assets and deferred outflows of resources	$ 214,409,463	$ 22,043,222	$ 5,219,117	$ (5,246,350)	$ 236,425,452

	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Current maturities of long-term debt	$ 6,230,270	$ 1,166,185	$ -	$ -	$ 7,396,455
Accounts payable	18,408,130	426,700	302,027	-	19,136,857
Accrued expenses	13,195,365	585,345	-	-	13,780,710
Accrued interest payable	1,677,676	259,871	-	-	1,937,547
Due to related parties	1,855,185	4,773,407	337,330	(5,110,737)	1,855,185
Total current liabilities	41,366,626	7,211,508	639,357	(5,110,737)	44,106,754
Long-Term Debt	76,038,965	13,242,381	-	-	89,281,346
Net Pension Liability	20,383,937	1,475,513	-	-	21,859,450
Other Long-Term Obligations	1,588,788	-	-	-	1,588,788
Total liabilities	139,378,316	21,929,402	639,357	(5,110,737)	156,836,338
Deferred Inflows of Resources	192,093	4,088	-	(135,613)	60,568
Net Position					
Net investment in capital assets	23,344,710	4,919,040	1,754,306	-	30,018,056
Restricted – expendable for debt service	5,946,120	268,449	-	-	6,214,569
Unrestricted	45,548,224	(5,077,757)	2,825,454	-	43,295,921
Total net position	74,839,054	109,732	4,579,760	-	79,528,546
Total liabilities, deferred inflows of resources and net position	$ 214,409,463	$ 22,043,222	$ 5,219,117	$ (5,246,350)	$ 236,425,452

Note to Schedule

The Authority's investment in CCSO is presented in the Comanche County Memorial Hospital column of these combining schedules.

The Comanche County Hospital Authority

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

Year Ended June 30, 2018

	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts; $52,596,730	$ 247,407,761	$ 9,749,857	$ 8,594,535	$ -	$ 265,752,153
Grant revenue	-	-	3,001,090	-	3,001,090
Other	5,720,616	4,579	423,432	(57,183)	6,091,444
Total operating revenues	253,128,377	9,754,436	12,019,057	(57,183)	274,844,687
Operating Expenses					
Salaries and wages	105,106,586	4,949,831	6,295,435	-	116,351,852
Employee benefits	16,203,406	1,514,194	1,218,315	-	18,935,915
Purchased services and professional fees	58,527,700	2,206,903	988,448	-	61,723,051
Medical supplies and drugs	36,281,699	694,402	739,127	-	37,715,228
Supplies and other	22,530,989	1,241,075	930,755	(57,183)	24,645,636
Depreciation and amortization	11,445,449	1,086,324	190,273	-	12,722,046
Total operating expenses	250,095,829	11,692,729	10,362,353	(57,183)	272,093,728
Operating Income (Loss)	3,032,548	(1,938,293)	1,656,704	-	2,750,959
Nonoperating Revenues (Expenses)					
Noncapital grants and gifts	344,852	-	114,706	-	459,558
Gain on investments in joint ventures	306,748	-	-	-	306,748
Investment income	363,207	5,368	52,301	-	420,876
Interest expense and other financing costs	(2,979,176)	(584,043)	-	-	(3,563,219)
Total nonoperating revenues (expenses)	(1,964,369)	(578,675)	167,007	-	(2,376,037)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	1,068,179	(2,516,968)	1,823,711	-	374,922
Capital Grants and Gifts	1,047,100	-	-	-	1,047,100
Increase (Decrease) in Net Position	2,115,279	(2,516,968)	1,823,711	-	1,422,022
Net Position, Beginning of Year	74,839,054	109,732	4,579,760	-	79,528,546
Net Position, End of Year	$ 76,954,333	$ (2,407,236)	$ 6,403,471	$ -	$ 80,950,568

Note to Schedule

The Authority’s earnings on its investment in CCSO are presented in the Comanche County Memorial Hospital column of these combining schedules.

The Comanche County Hospital Authority

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

Year Ended June 30, 2017

	Comanche County Memorial Hospital	McMahon-Tomlinson Nursing Center	Lawton Community Health Center	Eliminations	Combined Balance
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts; $51,174,070	$ 246,369,425	$ 8,183,420	$ 6,582,818	$ -	$ 261,135,663
Grant revenue	-	-	2,024,107	-	2,024,107
Other	6,894,663	10,514	366,431	(57,183)	7,214,425
Total operating revenues	253,264,088	8,193,934	8,973,356	(57,183)	270,374,195
Operating Expenses					
Salaries and wages	103,798,663	4,208,048	4,710,630	-	112,717,341
Employee benefits	17,944,108	1,014,652	868,417	-	19,827,177
Purchased services and professional fees	56,175,439	1,606,377	760,529	-	58,542,345
Medical supplies and drugs	36,927,574	590,138	1,052,628	-	38,570,340
Supplies and other	22,571,760	1,299,443	796,557	(57,183)	24,610,577
Depreciation and amortization	12,069,738	1,084,993	161,670	-	13,316,401
Total operating expenses	249,487,282	9,803,651	8,350,431	(57,183)	267,584,181
Operating Income (Loss)	3,776,806	(1,609,717)	622,925	-	2,790,014
Nonoperating Revenues (Expenses)					
Noncapital grants and gifts	361,155	-	649,430	-	1,010,585
Gain on investments in joint ventures	1,475,415	-	-	-	1,475,415
Investment income	39,418	5,395	23,933	-	68,746
Interest expense and other financing costs	(2,445,171)	(607,792)	-	-	(3,052,963)
Total nonoperating revenues (expenses)	(569,183)	(602,397)	673,363	-	(498,217)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	3,207,623	(2,212,114)	1,296,288	-	2,291,797
Capital Grants and Gifts	87,395	-	-	-	87,395
Increase (Decrease) in Net Position	3,295,018	(2,212,114)	1,296,288	-	2,379,192
Net Position, Beginning of Year	71,544,036	2,321,846	3,283,472	-	77,149,354
Net Position, End of Year	$ 74,839,054	$ 109,732	$ 4,579,760	$ -	$ 79,528,546

Note to Schedule

The Authority’s earnings on its investment in CCSO are presented in the Comanche County Memorial Hospital column of these combining schedules.

The Comanche County Hospital Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Health Center Program Cluster				
Consolidated Health Centers	93.224		$ -	$ 255,674
Grants for New and Expanded Services Under the Health Center Program	93.527		-	2,020,201
Total Health Center Program Cluster			-	2,275,875
Grants for Capital Development in Health Centers	93.526		-	694,089
			$ -	$ 2,969,964

The accompanying notes are an integral part of this Schedule.

The Comanche County Hospital Authority
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of The Comanche County Hospital Authority (Authority) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

3. The Comanche County Hospital Authority did not have any federal loan programs during the year ended June 30, 2018.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Comanche County Hospital Authority (Authority), which comprise the balance sheet as of June 30, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2019, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principles.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

BKD, LLP

Tulsa, Oklahoma
January 10, 2019

BKD
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Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Trustees
The Comanche County Hospital Authority
Lawton, Oklahoma

Report on Compliance for the Major Federal Program

We have audited The Comanche County Hospital Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended June 30, 2018, and issued our report thereon dated January 10, 2019, which contained an unmodified opinion on those financial statements and an *Emphasis of Matter* paragraph regarding a change in accounting principles. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 audit 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Tulsa, Oklahoma
March 12, 2019

The Comanche County Hospital Authority

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

   ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

   ☐ Yes ☒ No

The Comanche County Hospital Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

7. The Authority's major program was:

Cluster/Program	CFDA Number
Health Center Program Cluster	93.224 and 93.527

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Authority qualified as a low-risk auditee? ☐ Yes ☒ No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

The Comanche County Hospital Authority

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2018

Reference Number	Summary of Finding	Status
	No matters are reportable.	