

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Accountants' Reports and Financial Statements
March 31, 2011 and 2010

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State Auditor & Inspector

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**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
March 31, 2011 and 2010**

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Antlers, Oklahoma

We have audited the accompanying balance sheets of Pushmataha County – Town of Antlers Hospital Authority d/b/a Pushmataha Hospital (the Hospital) as of March 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pushmataha County – Town of Antlers Hospital Authority d/b/a Pushmataha Hospital as of March 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

November 11, 2011

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Management's Discussion and Analysis
Years Ended March 31, 2011 and 2010

Introduction

This management's discussion and analysis of the financial performance of Pushmataha County – Town of Antlers Hospital Authority d/b/a Pushmataha Hospital (the Hospital) provides an overview of the Hospital's financial activities for the years ended March 31, 2011 and 2010. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash not held by trustee increased in 2011 by \$63,401 or 12% and increased by \$209,995 or 69% in 2010.
- Net patient accounts receivable increased in 2011 by \$73,203 or 7% and decreased by \$523,616 or 34% in 2010.
- Capital assets, net increased in 2011 by \$2,442,493 or 290% and decreased in 2010 by \$71,082 or 8%.
- Debt increased in 2011 by \$2,351,077 or 211% and decreased in 2010 by \$194,820 or 15%.
- The Hospital's net assets decreased in 2011 by \$40,117 or 3% and increased by \$227,207 or 17% in 2010.
- The Hospital reported an operating loss in 2011 of \$847,240 and an operating loss in 2010 of \$500,857. Operating loss in 2011 increased by \$346,383 or 69% from 2010. The operating loss in 2010 increased by \$378,590 or 310% from 2009.

Using This Annual Report

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

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

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

These two statements report the Hospital's net assets and changes in them. The Hospital's total net assets—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital'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 Hospital.

The Statement of Cash Flows

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

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the balance sheet. The Hospital's net assets decreased by \$40,117 (3%) in 2011 over 2010 and increased by \$227,207 (17%) in 2010 over 2009, as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2011	2010	2009
Assets			
Patient accounts receivable, net	\$ 1,101,425	\$ 1,028,222	\$ 1,551,838
Other current assets	983,354	1,161,938	782,226
Capital assets, net	3,283,743	841,250	912,332
Other noncurrent assets	223,819	248,509	214,995
Total assets	\$ 5,592,341	\$ 3,279,919	\$ 3,461,391
Liabilities			
Construction loan and long-term debt	\$ 3,467,201	\$ 1,116,124	\$ 1,310,944
Other current and noncurrent liabilities	586,499	585,037	798,896
Total liabilities	4,053,700	1,701,161	2,109,840
Net Assets			
Invested in capital assets, net of related debt	(183,458)	130,316	15,790
Restricted – expendable for debt service	-	314,398	308,444
Unrestricted	1,722,099	1,134,044	1,027,317
Total net assets	1,538,641	1,578,758	1,351,551
Total liabilities and net assets	\$ 5,592,341	\$ 3,279,919	\$ 3,461,391

Significant changes in the Hospital's financial position in 2011 include an increase in both capital assets, net and long-term debt. In 2011, capital assets increased by \$2,442,493 and construction loan and long-term debt increased by \$2,351,077 as a result of the Hospital's ongoing building and renovation project.

	2011	2010	2009
Operating Revenues			
Net patient service revenue, net	\$ 6,072,197	\$ 5,972,727	\$ 6,059,070
Other operating revenues	64,478	57,808	41,553
Total operating revenues	6,136,675	6,030,535	6,100,623
Operating Expenses			
Salaries, wages and employee benefits	4,240,857	4,047,837	3,780,641
Purchased services and professional fees	1,148,860	843,770	851,613
Depreciation and amortization	167,434	152,620	187,619
Supplies and other	1,426,764	1,487,165	1,403,017
Total operating expenses	6,983,915	6,531,392	6,222,890
Operating Loss	(847,240)	(500,857)	(122,267)
Nonoperating Revenues (Expenses)			
Town and county appropriations – unrestricted	801,722	794,434	741,684
Investment income	14	140	2,008
Noncapital gifts	8,780	9,301	8,283
Interest expense	(29,101)	(87,669)	(98,812)
Total nonoperating revenues (expenses)	781,415	716,206	653,163
Excess (Deficiency) of Revenues over Expenses Before Capital Gifts	(65,825)	215,349	530,896
Capital Gifts	25,708	11,858	22,780
Increase (Decrease) in Net Assets	\$ (40,117)	\$ 227,207	\$ 553,676

Table 2: Operating Results and Changes in Net Assets

In 2011, the Hospital's net assets decreased by \$40,117 or 3%, as shown in Table 2. This decrease is made up of several different components and represents a decrease of \$267,324 compared with an increase in net assets of \$227,207 in 2010. The Hospital's increase in net assets declined from \$553,676 in 2009 to \$227,207 in 2010, or 59%.

Operating Results and Changes in the Hospital's Net Assets

Significant changes in the Hospital's financial position in 2010 include an increase in cash and decreases in net patient accounts receivable and accounts payable. As a continued result of the sales tax revenue approved by the voters of Pushmataha County, the Hospital increased cash \$209,995 or 69% and continued to pay down accounts payable balances. As a result, accounts payable decreased by \$260,486 or 53%. Net patient accounts receivable decreased during the year by \$523,616 or 34% due to a decline in payer mix during the year that led to an increase in allowance for bad debts.

At the end of 2011, the Hospital had \$3,283,743 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2011, the Hospital purchased new equipment costing \$127,684 in addition to \$2,452,197 invested in capital improvement projects as a part of the renovation of the Hospital. At the end of 2010, the Hospital had \$841,250 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2010, the Hospital purchased new equipment costing \$34,048 in addition to \$37,541 invested in capital improvement projects in anticipation of a planned renovation of the Hospital.

Capital Assets

Capital Asset and Debt Administration

Changes in the Hospital's cash flows are attributable to cash used in operating activities and cash provided by noncapital financing activities primarily from town and county appropriations. Total receipts collected from patients decreased in 2011 due to lower patient volumes and continued decline in payer mix.

The Hospital's Cash Flows

Nonoperating revenues and expenses consist primarily of town and county appropriations, investment income and interest expense. In 2011, interest expense decreased by \$58,568 or 67% as a result of paying the Series 2002 bonds in full with proceeds from the new construction loan (see *Note 7*) and the interest capitalized as a part of the current ongoing construction and improvement project. In 2010, town and county appropriations increased by \$52,750 or 7%.

Nonoperating Revenues and Expenses

- An increase in salaries, wages and employee benefits of \$267,196 or 7% due to the Hospital's recruitment and retention efforts and changes in the emergency room and medical staffing levels.
- A decrease in net patient service revenue of \$86,343 or 1% due to increases in gross patient service revenue being offset by increased provision for bad debts.
- An increase in purchased services and professional fees of \$305,090 or 36% related to an increase in emergency room and other medical staffing costs outsourced in 2011.
- An increase in salaries, wages and employee benefits of \$193,020 or 5% due to the Hospital's ongoing recruitment and retention efforts.

The operating loss for 2011 represents a decrease of \$346,383 or 69% as compared to 2010. The primary components of the decrease are:

The operating loss for 2010 represents a decrease of \$378,590 or 310% as compared to 2009. The primary components of the decrease are:

The first component of the overall change in the Hospital's net assets 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. The Hospital reported an operating loss in both 2011 and 2010. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Antlers and Pushmataha County, Oklahoma, and the surrounding area.

Operating Results

Debt

At March 31, 2011, the Hospital had \$3,467,201 in a construction loan and capital lease obligations incurred to fund the current Hospital construction project, which included paying off the Series 2002 bonds in full. In 2010, changes in debt occurred as a result of debt service payments.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's administration by telephoning 580.298.3341.

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Balance Sheets
March 31, 2011 and 2010**

Assets

	2011	2010
Current Assets		
Cash	\$ 578,138	\$ 514,737
Restricted cash equivalents – current	-	139,398
Patient accounts receivable, net of allowance;	1,101,425	1,028,222
2011 – \$2,080,000, 2010 – \$5,290,000	182,166	326,813
Town and county appropriations receivable	191,072	162,413
Supplies	8,000	-
Estimated amounts due from third-party payer	23,978	18,577
Prepaid expenses and other	2,084,779	2,190,160
Total current assets	2,084,779	2,190,160
Noncurrent Cash Equivalents		
Held by trustee for debt service	-	314,398
Less amount required to meet current obligations	-	139,398
	-	175,000
Capital Assets, Net	3,283,743	841,250
Deferred Financing Costs	223,819	73,509
Total assets	\$ 5,592,341	\$ 3,279,919

See Notes to Financial Statements

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Current maturities of long-term debt	\$ 46,924	\$ 188,428
Construction loan	3,366,989	-
Accounts payable	306,611	233,222
Accrued expenses	279,888	312,596
Accrued interest expense	-	9,219
Estimated amounts due to third-party payer	-	30,000
Total current liabilities	4,000,412	773,465
Long-term Debt		
Total liabilities	4,053,700	1,701,161
Net Assets		
Invested in capital assets, net of related debt	(183,458)	130,316
Restricted – expendable for debt service	-	314,398
Unrestricted	1,722,099	1,134,044
Total net assets	1,538,641	1,578,758
Total liabilities and net assets	\$ 5,592,341	\$ 3,279,919

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended March 31, 2011 and 2010**

	2011	2010
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2011 – \$1,222,272, 2010 – \$1,816,742	\$ 6,072,197	\$ 5,972,727
Other	64,478	57,808
Total operating revenues	<u>6,136,675</u>	<u>6,030,535</u>
Operating Expenses		
Salaries and wages	3,667,924	3,511,750
Employee benefits	572,933	536,087
Purchased services and professional fees	1,148,860	843,770
Supplies and other	1,426,764	1,487,165
Depreciation and amortization	167,434	152,620
Total operating expenses	<u>6,983,915</u>	<u>6,531,392</u>
Operating Loss	<u>(847,240)</u>	<u>(500,857)</u>
Nonoperating Revenues (Expenses)		
Town and county appropriations – unrestricted	801,722	794,434
Investment income	14	140
Noncapital gifts	8,780	9,301
Interest expense	(29,101)	(87,669)
Total nonoperating revenues (expenses)	<u>781,415</u>	<u>716,206</u>
Excess (Deficiency) of Revenues over Expenses Before Capital Gifts	<u>(65,825)</u>	<u>215,349</u>
Capital Gifts		
	25,708	11,858
Increase (Decrease) in Net Assets	<u>(40,117)</u>	<u>227,207</u>
Net Assets, Beginning of Year	<u>1,578,758</u>	<u>1,351,551</u>
Net Assets, End of Year	<u>\$ 1,538,641</u>	<u>\$ 1,578,758</u>

See Notes to Financial Statements

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Statements of Cash Flows
Years Ended March 31, 2011 and 2010

2011	2010	
\$ 5,960,994	\$ 6,516,343	Operating Activities
(2,572,353)	(2,545,892)	Receipts from and on behalf of patients
(4,273,565)	(4,019,693)	Payments to and on behalf of employees
64,478	57,808	Other receipts and payments, net
(820,446)	8,566	Net cash provided by (used in) operating activities
8,780	9,301	Noncapital Financing Activities
(340,900)	(44,317)	Noncapital gifts
(6,038)	(24,897)	Principal paid on long-term debt
946,369	585,142	Interest paid on long-term debt
608,211	525,229	Town and county appropriations received
(719,772)	(150,503)	Net cash provided by noncapital financing activities
(106,524)	(64,289)	Capital and Related Financing Activities
(180,356)	(43,463)	Principal paid on long-term debt
25,708	11,858	Interest paid on long-term debt
3,366,989	-	Payment of deferred financing costs
(2,424,821)	(71,589)	Contributions for acquisition of capital assets
(38,776)	(317,986)	Proceeds from issuance of long-term debt
(317,986)	(71,589)	Purchase of capital assets
14	140	Net cash used in capital and related financing activities
14	140	Investing Activities
(250,997)	215,949	Interest on investments
829,135	613,186	Net cash provided by investing activities
829,135	613,186	Increase (Decrease) in Cash and Cash Equivalents
\$ 578,138	\$ 829,135	Cash and Cash Equivalents, Beginning of Year
-	175,000	Cash and Cash Equivalents, End of Year
\$ 578,138	\$ 514,737	Reconciliation of Cash and Cash Equivalents to the Balance Sheets
-	139,398	Cash
-	175,000	Cash equivalents in restricted cash equivalents – current
-	-	Cash equivalents in noncurrent cash equivalents – held by trustee
578,138	829,135	for debt service
\$ 578,138	\$ 829,135	Total cash and cash equivalents

See Notes to Financial Statements

Reconciliation of Operating Loss to Net Cash Provided by (Used in)

Operating Activities

Operating loss

Depreciation and amortization

Changes in operating assets and liabilities

Patient accounts receivable, net

Supplies and prepaid expenses

Estimated amounts due to (from) third-party payer

Accounts payable and accrued expenses

Net cash provided by (used in) operating activities

	2011	2010
	\$ (847,240)	\$ (500,857)
	167,434	152,620
	(73,203)	523,616
	(34,060)	7,616
	(38,000)	20,000
	4,623	(194,429)
	\$ (820,446)	\$ 8,566

Supplemental Cash Flows Information

Capital lease obligations incurred for capital assets

Fixed assets in accounts payable

	\$ 44,760	\$ -
	36,058	-

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010

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

Nature of Operations

Pushmataha County – Town of Antlers Hospital Authority (the Authority) was created under a trust indenture dated January 1, 1980, as a public trust under provisions of Title 60 of the Oklahoma Statutes for the benefit of Pushmataha County, Oklahoma. The Authority operates Pushmataha Hospital (the Hospital) under a 50-year lease agreement with Pushmataha County, expiring in 2031. On May 10, 2010, the Authority and Pushmataha County amended the lease agreement to extend the lease for a term of 50 years from 2031 to 2081, or to such date as all indebtedness incurred by the Authority pursuant to any bond indenture or other evidence of indebtedness has been paid. The Board of Commissioners of Pushmataha County and the City Council of the Town of Antlers appoint members to the Board of Trustees of the Hospital on an alternating basis.

The Hospital is a 50-bed licensed acute care hospital located in Antlers, Oklahoma. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in Antlers, Oklahoma, and the surrounding area. It also operates a home health agency in the same geographic area.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Town and county appropriations, investment income and interest expense are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Use of Estimates

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

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2011, the Hospital held no cash equivalents. At March 31, 2010, cash equivalents consisted of money market mutual funds restricted by the trustee under the bond indenture.

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

Town and County Appropriations

Effective January 1, 1980, the citizens of the Town of Antlers approved a 1% sales tax with no expiration date to provide unrestricted appropriations to the Hospital.
Effective July 1, 2008, the citizens of Pushmataha County approved a five-year, 0.75% sales tax to provide unrestricted appropriations to the Hospital.
The Hospital received approximately 11% and 12% of its financial support from town and county appropriations related to sales taxes in 2011 and 2010, respectively. These funds were used to support operations and retire long-term debt.

Risk Management

The Hospital 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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Patient Accounts Receivable

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

Supplies

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

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010**

Capital Assets

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

- Land improvements 5-40 years
- Buildings, improvements and fixed equipment 5-40 years
- Major moveable equipment 3-20 years

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project. Total interest capitalized and incurred was:

	2011	2010
Interest costs capitalized	\$ 74,242	\$ -
Interest costs charged to expense	\$ 29,101	\$ 87,669
	\$ 103,343	\$ 87,669

Deferred Financing Costs

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

Compensated Absences

Hospital policies permit most employees to accumulate vacation 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 vacation 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 and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010

Net Assets

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

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive 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 Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As a governmental entity, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Foundation

The Hospital is the beneficiary of Pushmataha Medical Foundation (the Foundation), a separate legal entity with its own Board of Trustees. The Foundation has legal title to all of the Foundation's assets. The Foundation is not a component unit of the Hospital and, thus, is not reflected in the accompanying financial statements.

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010

Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance under an claims-based 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 malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Reclassifications

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

Note 2: Net Patient Service Revenue

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

- **Medicare** – Substantially all inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Those rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through March 31, 2009.
- **Medicaid** – The Hospital is reimbursed for services rendered to patients covered by the state Medicaid program at prospectively determined rates per discharge and fee schedules with no retroactive adjustments. Those payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Approximately 84% and 75% of the Hospital's net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended March 31, 2011 and 2010, respectively. Laws and regulations governing 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 Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010**

Note 3: Deposits and Investment Income

Deposits

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

At March 31, 2011 and 2010, none of the Hospital's bank balances of \$640,351 and \$543,346, respectively, were exposed to custodial credit risk.

Investment Income

Investment income for the years ended March 31, 2011 and 2010, consisted of interest income.

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at March 31, 2011 and 2010, consisted of:

		2011	2010
Medicare	\$	735,073	507,468
Medicaid		58,865	52,003
Other third-party payers		534,449	680,361
Patients		1,843,038	5,078,390
		<u>3,171,425</u>	<u>6,318,222</u>
Less allowance for uncollectible amounts		<u>2,080,000</u>	<u>5,290,000</u>
	\$	<u>1,091,425</u>	<u>\$ 1,028,222</u>

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010**

Note 5: Capital Assets

Capital assets activity for the years ended March 31, 2011 and 2010, was:

	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ -	\$ 33,595	\$ -	\$ -	\$ 33,595
Land improvements	21,234	-	-	-	21,234
Buildings and improvements	2,335,196	-	-	-	2,335,196
Equipment	2,328,318	127,684	-	-	2,456,002
Construction in progress	210,038	2,418,602	-	-	2,628,640
Less accumulated depreciation	4,894,786	2,579,881	-	-	7,474,667
Land improvements	21,234	-	-	-	21,234
Buildings and improvements	1,961,815	28,667	-	-	1,990,482
Equipment	2,070,487	108,721	-	-	2,179,208
Capital assets, net	\$ 841,250	\$ 2,442,493	\$ -	\$ -	\$ 3,283,743
	2010				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	\$ 21,234	\$ -	\$ -	\$ -	\$ 21,234
Buildings and improvements	2,335,196	-	-	-	2,335,196
Equipment	2,294,270	34,048	-	-	2,328,318
Construction in progress	172,497	37,541	-	-	210,038
Less accumulated depreciation	4,823,197	71,589	-	-	4,894,786
Land improvements	21,234	-	-	-	21,234
Buildings and improvements	1,933,148	28,667	-	-	1,961,815
Equipment	1,956,483	114,004	-	-	2,070,487
Capital assets, net	\$ 912,332	\$ (71,082)	\$ -	\$ -	\$ 841,250

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010**

Note 6: Construction Loan

In 2010, the Hospital began construction of an additional Hospital wing and various renovation projects. Initial financing is being provided through a \$5,500,000 construction loan due January 2012 with interest payable monthly at 6% annual rate. As of March 31, 2011, the Hospital has borrowed \$3,366,989 against the construction note, \$1,000,000 of which was used to retire the Series 2002 Hospital Refunding Bonds (see Note 7). The Hospital has pledged the facilities under construction as collateral for this loan.

Upon project completion, the construction loan will be refinanced through a USDA loan with a maximum loan amount of \$3,000,000 payable over 40 years and a USDA-guaranteed loan through a local bank with a maximum loan amount of \$2,500,000 payable over 30 years.

Note 7: Long-Term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ending March 31, 2011 and 2010:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2011					
Revenue bonds payable	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -	\$ -
Capital lease obligations	116,124	44,760	(60,672)	100,212	46,924
	\$ 1,116,124	\$ 44,760	\$ (1,060,672)	\$ 100,212	\$ 46,924
2010					
Revenue bonds payable	\$ 1,130,000	\$ -	\$ (130,000)	\$ 1,000,000	\$ 140,000
Capital lease obligations	180,944	-	(64,820)	116,124	48,428
	\$ 1,310,944	\$ -	\$ (194,820)	\$ 1,116,124	\$ 188,428

Revenue Bonds Payable

The revenue bonds payable consist of Series 2002 Hospital Refunding Bonds (the Bonds) in the original amount of \$1,750,000 dated August 1, 2002, which bear interest at 7%. The Bonds are payable in annual installments through August 1, 2015. The indenture agreement requires that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the accompanying balance sheets. The indenture agreement also requires the Hospital to comply with certain restrictive covenants, including minimum insurance coverage and maintaining a debt-service coverage ratio of at least 125%.

These bonds were paid in full July 2010 with proceeds received from the construction loan (see Note 6).

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010**

Capital Lease Obligations

The Hospital is obligated under four leases for equipment that are accounted for as capital leases. Assets under capital leases at March 31, 2011 and 2010, totaled \$253,561 and \$327,385, respectively, net of accumulated depreciation of \$152,786 and \$200,676, respectively. The following is a schedule by year of future minimum lease payments under the capital leases, including varying interest rates from 6.8% to 9.9% together with the present value of the future minimum lease payments as of March 31, 2011:

Year Ending March 31,	
2012	\$ 53,933
2013	46,666
2014	9,937
Total minimum lease payments	110,536
Less amount representing interest	10,324
Present value of future minimum lease payments	\$ 100,212

Note 8: Restricted and Designated Net Assets

At March 31, 2011 and 2010, restricted expendable net assets were available for the following purposes:

2011	\$ -	2010	\$ 314,398
Debt service			

Note 9: Contingencies

Litigation

In the normal course of business, the Hospital 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 Hospital 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.

Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Notes to Financial Statements
March 31, 2011 and 2010

Note 10: Retirement Plan

Effective April 1, 2006, the Hospital created a 401(k) defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions determined in accordance with the terms of the plan. The plan is administered by the Hospital's Board of Trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Effective June 26, 2006, the Hospital's governing body voted to discontinue the Hospital's matching of 401(k) contributions. Contribution rates for plan members expressed as a percentage of covered payroll were 1% for both 2011 and 2010. Contributions actually made by plan members aggregated approximately \$37,000 and \$32,000 during 2011 and 2010, respectively.

Note 11: Current Economic Conditions

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

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

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

Supplementary Information

Pushmataha County – Town of Antlers Hospital Authority
d/ba Pushmataha Hospital
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2011

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant (Identifying) Number	Amount Expended
Community Facilities Loans and Grants	U.S. Department of Agriculture	10.766	None	\$ 3,366,989
National Bioterrorism Hospital Preparedness Program	U.S. Department of Health and Human Services/ Oklahoma State Department of Health	93.889	None	11,213
Small Rural Hospital Improvement Grant Program	U.S. Department of Health and Human Services/ Oklahoma State Department of Health	93.301	None	8,755
				<u>\$ 3,386,957</u>

Notes to Schedule

1. This schedule includes the federal awards activity of Pushmataha County – Town of Antlers Hospital Authority d/ba Pushmataha Hospital (the Hospital) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. No awards were provided to subrecipients.

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

Board of Trustees
Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Antlers, Oklahoma

We have audited the financial statements of Pushmataha County – Town of Antlers Hospital Authority d/b/a Pushmataha Hospital (the Hospital) as of and for the year ended March 31, 2011, and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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 missstatements 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 Hospital's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011-1 to be a material weakness.

Board of Trustees
Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2011-2 and 2011-3 to be significant deficiencies.

Compliance and Other Matters

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

We also noted certain matters that we reported to the Hospital's management in a separate letter dated November 11, 2011.

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Hospital's responses and, accordingly, we express no opinion on them.

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

BKD, LLP

November 11, 2011

**Independent Accountants' Report on Compliance with
Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Trustees
Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Antlers, Oklahoma

Compliance

We have audited the compliance of Pushmataha County – Town of Antlers Hospital Authority d/b/a Pushmataha Hospital (the Hospital) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB), *Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2011. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Hospital's management. Our responsibility is to express an opinion on the compliance of the Hospital based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Hospital'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. Our audit does not provide a legal determination on the Hospital's compliance with those requirements.

In our opinion, the Pushmataha County – Town of Antlers Hospital Authority d/b/a Pushmataha Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2011.

Internal Control over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Hospital's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Hospital'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 a 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management, others within the Hospital, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 11, 2011

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Schedule of Findings and Responses
March 31, 2011 and 2010**

Summary of Auditor's Results

1.	The opinion(s) expressed in the independent accountants' report was (were):	<input checked="" type="checkbox"/> Unqualified <input type="checkbox"/> Qualified <input type="checkbox"/> Adverse <input type="checkbox"/> Disclaimed
2.	The independent accountants' report on internal control over financial reporting disclosed:	Significant deficiency(ies)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Material weakness(es)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3.	Noncompliance considered material to the financial statements was disclosed by the audit?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4.	The independent accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:	Significant deficiency(ies)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Material weakness(es)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5.	The opinion(s) expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards was (were):	<input checked="" type="checkbox"/> Unqualified <input type="checkbox"/> Qualified <input type="checkbox"/> Adverse <input type="checkbox"/> Disclaimed
6.	The audit disclosed findings required to be reported by OMB Circular A-133?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7.	The Hospital's major program was:	
<hr/>		
	Cluster/Program	CFDA Number
8.	The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.	10.766
9.	The Hospital qualified as a low-risk auditee as that term is defined in OMB Circular A-133?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Schedule of Findings and Responses, continued
Year Ended March 31, 2011**

Reference Number	Finding
2011-1	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The business office manager has incompatible duties in the patient revenues, cash receipts and accounts receivable transactions cycle.</p> <p>Context – The business office manager has the ability to authorize discounts and adjustments, receive payments, change electronic fund transfer instructions with third-party payers and record discounts and adjustments of charges and payments received and perform other monitoring duties.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the patient revenues, cash receipts and accounts receivable transactions cycle are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost beneficial within the next year.</p>

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Schedule of Findings and Responses, continued
Year Ended March 31, 2011**

Reference Number	Finding
2011-2	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The accountant has incompatible duties in the purchases, cash disbursements and accounts payable transactions cycle.</p> <p>Context – The accountant has the ability to issue a purchase order, generate a payment, access signed checks, record accounts payable and checks issued, change online transaction files and vendor setup files, make journal entries to general ledger accounts, and reconcile bank balances and accounts payable to the general ledger.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the purchases, cash disbursements and accounts payable transactions cycle are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost beneficial within the next year.</p>

**Pushmataha County – Town of Antlers Hospital Authority
d/b/a Pushmataha Hospital
Schedule of Findings and Responses, continued
Year Ended March 31, 2011**

Reference Number	Finding
2011-3	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The accountant has incompatible duties in the payroll transactions cycle.</p> <p>Context – The accountant has the ability to establish employees in the payroll system, access signed checks, record payroll transactions, change direct deposit information and perform most other recording and monitoring duties.</p> <p>Effect – Potential material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the payroll transactions cycle are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost beneficial within the next year.</p>