



Management's Discussion and Analysis
and Financial Statements
June 30, 2011 and 2010

Tahlequah Hospital Authority

A Component Unit of the City of Tahlequah, Oklahoma

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Independent Auditor's Report

The Board of Trustees
Tahlequah Hospital Authority
Tahlequah, Oklahoma

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Tahlequah Hospital Authority as of June 30, 2011 and 2010, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011, on our consideration of Tahlequah Hospital 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 audit 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.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 6, 2011

This discussion and analysis of the financial performance of Tahlequah Hospital Authority ("Authority") provides an overall review of the Authority's financial activities and balances as of and for the years ended June 30, 2011 and 2010. The intent of this discussion and analysis is to provide further information on the Authority's performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the Authority's financial status.

Financial Highlights

- The Authority's net assets increased in each of the past 2 years with a \$3,584,407 or 12% increase in 2011 and a \$4,311,037 or 16% increase in 2010.
- The Authority reported operating income in both 2011 (\$4,292,789) and 2010 (\$5,253,723). Operating income decreased \$960,934 or 18% in 2011 over 2010. Operating income decreased \$58,612 or 1% in 2010 over 2009.
- The Authority's total assets increased \$6,986,384 or 12% in 2011 compared to 2010. Total assets increased \$3,930,482 or 7% in 2010 compared to 2009.

Using This Annual Report

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

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

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets the difference between assets and liabilities as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing 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 balance during the reporting period.

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Management's Discussion and Analysis
June 30, 2011 and 2010

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Authority's net assets increased by \$3,584,407 or 12% in 2011 and increased \$4,311,037 or 16% in 2010, as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2011	2010	2009
Assets			
Current assets	\$ 31,542,314	\$ 31,135,645	\$ 31,345,400
Capital assets	28,045,155	23,431,088	21,304,795
Other noncurrent assets	5,173,474	4,189,221	2,175,277
Total assets	\$ 64,760,943	\$ 58,755,954	\$ 54,825,472
Liabilities			
Current liabilities	7,271,485	6,766,447	7,716,145
Long-term debt outstanding	23,446,766	21,531,221	20,962,078
Total liabilities	30,718,251	28,297,668	28,678,223
Net Assets			
Invested in capital assets, net of related debt	2,645,090	209,025	(902,162)
Expendable restricted	-	777,109	2,510,277
Unrestricted	29,419,901	28,256,524	23,780,493
Noncontrolling interest in joint venture	1,977,701	1,215,628	758,641
Total net asset	34,042,692	30,458,286	26,147,249
Total liabilities and net assets	\$ 64,760,943	\$ 58,755,954	\$ 54,825,472

A significant component of the change in the Authority's assets is the increase in capital assets. Capital assets increased in 2011, \$4,614,067 or 508% compared to \$2,126,293 or 10% in 2010. Another significant component of the change in the Authority's assets is the increase in note receivable. Lease receivable increased in 2011 by \$860,490 or 100%.

Operating Results and Changes in Net Assets

In 2011, the Authority's net assets increased by \$3,584,407 or 12% as shown in Table 2. In 2010, the increase in net assets was \$4,311,037 or 16%.

Tahlequah Hospital Authority
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Table 2: Operating Results and Changes in Net Assets

	2011	2010	2009
Operating Revenues			
Net patient service revenue	\$ 65,749,256	\$ 61,335,651	\$ 56,999,666
Other revenue	1,849,820	2,184,053	2,305,558
Total operating revenues	<u>67,599,076</u>	<u>63,519,704</u>	<u>59,305,224</u>
Expenses			
Nursing services	23,767,865	20,653,964	22,213,856
Other professional services	17,138,549	16,774,863	15,711,769
General services	3,951,068	3,734,195	3,449,233
Administrative services	15,342,945	14,060,085	9,659,436
Other expenses	606,881	580,602	607,293
Depreciation and amortization	2,498,980	2,462,272	2,351,302
Total expenses	<u>63,306,288</u>	<u>58,265,981</u>	<u>53,992,889</u>
Operating Income	<u>\$ 4,292,788</u>	<u>\$ 5,253,723</u>	<u>\$ 5,312,335</u>
Nonoperating Revenue (Expense)	2011	2010	2009
Investment income	\$ 63,565	\$ 74,473	\$ 206,435
Income from joint ventures	286,344	268,285	232,473
Interest expense	(1,322,994)	(1,237,386)	(1,147,773)
Gain (loss) on disposal of assets	20,277	(27,484)	(18,325)
Contributions expense	(1,600)	(4,100)	(2,000)
Total nonoperating (expense)	<u>(954,408)</u>	<u>(926,212)</u>	<u>(729,190)</u>
Minority Interest in Joint Ventures	<u>(516,047)</u>	<u>(473,461)</u>	<u>(444,039)</u>
Increase in Net Assets	<u>\$ 2,822,333</u>	<u>\$ 3,854,050</u>	<u>\$ 4,139,106</u>

Operating Income

The first component of the overall change in the Authority's net assets is its operating income - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Authority had operating income of \$4,292,789 in 2011 compared to an operating income of \$5,253,723 in 2010.

The primary components of the operating income are:

- Net patient service revenue, increased \$4,413,605 or 7% in 2011 and \$4,335,985 or 8% in 2010.
- Administrative services expenses increased \$1,282,860 or 9% in 2011 and increased \$4,400,649 or 46% in 2010.
- Other professional services expenses increased \$363,686 or 2% in 2011 and decreased \$1,063,094 or 7% in 2010.

Net patient service revenue before provision for bad debts increased \$5,695,467 or 8% from 2010 to 2011 and \$3,689,443 or 6% from 2009 to 2010. The provision for uncollectible accounts increased \$1,281,862 or 17% in 2011 and decreased \$646,542 or 8% in 2010.

Total patient service revenues were \$149,486,966 and \$139,743,114 for the years ended June 30, 2011 and 2010, respectively. Factors impacting total patient service revenues in 2011 compared to 2010 include increased services and charge rates.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, income from joint ventures and interest expense. Investment income decreased \$10,908 or 15% in 2011 and \$131,962 or 64% in 2010. Income from joint ventures increased \$18,059 or 7% in 2011 and \$35,812 or 15% in 2010. Interest expense increased \$85,608 or 7% in 2011 and \$89,613 or 8% in 2010.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier. The principal changes in the Authority's nonoperating cash flows were.

- Net cash used by capital and capital related financing activities increased in 2011 by \$1,503,476 or 29% and increased in 2010 by \$1,224,818 or 31%.
- Net cash provided by investing activities increased in 2011 by \$2,488,923 or 108% and decreased in 2010 by \$2,319,270 or 509%.

Capital Assets

At the end of 2011, the authority had \$28,045,155 invested in capital assets, net of accumulated depreciation, as detailed in note 8 to the financial statements. In 2011, the authority purchased new capital assets costing \$8,131,211. This is was an increase over the \$4,660,061 spent for capital assets in 2010. Both of these amounts are more than 2009, when the authority spent \$3,159,602 for capital assets.

Debt

At year end, the Authority had \$25,800,065 in revenue notes, mortgage loans, note payable and capital lease obligations outstanding as detailed in Note 10 to the financial statements. The Authority issued \$4,370,012 in new debt in 2011 versus \$2,540,704 of new debt in 2010. The amount of debt issued is subject to limitations that apply to the city and its component units as a whole. There have been no changes in the Authority's debt rating in the past 3 years.

Economic Factors and Next Year's Budget

The Authority has increased rates during the current fiscal year which should continue to increase revenues for the upcoming year. The Authority continues to monitor costs throughout the year. The 2012 fiscal year operating budget indicates conservative net revenue of \$73,872,000. The Authority's continued mission is to be a health care leader in the area, and to enhance services to customers in a fiscally responsible manner. The Authority strives to be conscientious, consumer oriented and dedicated to teamwork, leadership and education.

Contacting The Authority's Financial Management

This financial report is designed to provide our 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. If you have questions about this report or need additional financial information, contact Tahlequah Hospital Authority, 1400 East Downing, Tahlequah, Oklahoma 74465.

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	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 16,802,331	\$ 17,263,977
Restricted cash	-	777,109
Board designated cash	562,887	413,223
Receivables		
Patients, net of estimated uncollectibles of \$8,047,000 in 2011 and \$6,332,000 in 2010	9,898,299	9,686,373
Other	642,255	271,251
Current portion of lease receivable	79,279	-
Related parties	701,070	126,092
Supplies	2,037,995	1,659,869
Prepaid expenses	818,198	937,751
Total current assets	<u>31,542,314</u>	<u>31,135,645</u>
Capital Assets, Net		
Non-depreciable capital assets	8,095,699	2,518,976
Depreciable capital assets, net	19,949,456	20,912,112
Total capital assets, net	<u>28,045,155</u>	<u>23,431,088</u>
Other Assets		
Investments in joint ventures	3,505,325	3,056,511
Unamortized loan origination costs	308,274	332,548
Investment in captive insurance	100,000	100,000
Lease receivable, net of current portion	781,211	-
Other	478,664	700,162
Total other assets	<u>5,173,474</u>	<u>4,189,221</u>
Total assets	<u>\$ 64,760,943</u>	<u>\$ 58,755,954</u>

See Notes to Financial Statements

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combined Balance Sheets
June 30, 2011 and 2010

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 1,953,299	\$ 1,690,842
Closing cost	400,000	-
Accounts payable	2,344,210	1,655,472
Accrued expenses		
Salaries and benefits payable	907,778	702,829
Vacation	943,044	873,444
Payroll taxes and other	680,849	780,569
Estimated third-party settlements	24,305	1,045,291
Due to related parties	18,000	18,000
	7,271,485	6,766,447
Total current liabilities		
Long-Term Debt, Less Current Maturities	23,446,766	21,531,221
Total liabilities	30,718,251	28,297,668
Net Assets		
Invested in capital assets, net of debt	2,645,090	209,025
Expendable restricted	-	777,109
Unrestricted	29,419,901	28,256,524
Noncontrolling interest in joint ventures	1,977,701	1,215,628
	34,042,692	30,458,286
Total net assets		
Total liabilities and net assets	\$ 64,760,943	\$ 58,755,954

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combined Statements of Operations
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenue		
Net patient service revenue (net of provision for bad debts of \$8,989,000 in 2011 and \$7,707,000 in 2010)	\$ 65,749,256	\$ 61,335,651
Other revenue	1,849,820	2,184,053
Total operating revenue	67,599,076	63,519,704
Expenses		
Nursing services	23,767,865	20,653,964
Other professional services	17,138,549	16,774,863
General services	3,951,068	3,734,195
Administrative services	15,342,945	14,060,085
Other expenses	606,881	580,602
Depreciation and amortization	2,498,980	2,462,272
Total expenses	63,306,288	58,265,981
Operating Income	4,292,788	5,253,723
Nonoperating Revenues (Expenses)		
Investment income	63,565	74,473
Income from joint venture	286,344	268,285
Interest expense	(1,322,994)	(1,237,386)
Gain (loss) on disposal of assets	20,277	(27,484)
Contributions expense	(1,600)	(4,100)
Total non-operating expenses in excess of revenues	(954,408)	(926,212)
Excess of Revenues over Expenses and Changes in Net Assets	3,338,380	4,327,511
Noncontrolling Interest in Joint Ventures	(516,047)	(473,461)
Change in Net Assets, excluding noncontrolling interest in joint ventures	\$ 2,822,333	\$ 3,854,050

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combined Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	<u>Noncontrolling Interest</u>	<u>Controlling Interest</u>	<u>Total</u>
Net assets, June 30, 2009	\$ 758,641	\$ 25,388,608	\$ 26,147,249
Member distributions	(16,474)	-	(16,474)
Change in net assets	<u>473,461</u>	<u>3,854,050</u>	<u>4,327,511</u>
Net assets, June 30, 2010	1,215,628	29,242,658	30,458,286
Member distributions	(218,824)	-	(218,824)
Member contributions - additional units issued	464,850	-	464,850
Change in net assets	<u>516,047</u>	<u>2,822,333</u>	<u>3,338,380</u>
Net assets, June 30, 2011	<u><u>\$ 1,977,701</u></u>	<u><u>\$ 32,064,991</u></u>	<u><u>\$ 34,042,692</u></u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combined Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Cash received from patient services	\$ 64,516,344	\$ 63,086,246
Other operating receipts	903,838	2,637,108
Cash payments to suppliers for goods and services	(36,904,186)	(36,306,710)
Cash payments to employees for services	(23,076,630)	(19,262,364)
Net Cash from Operating Activities	5,439,366	10,154,280
Noncapital Related Financing Activities		
Contributions	(1,600)	(4,100)
Capital and Capital Related Financing Activities		
Proceeds from issuance of long-term debt	4,470,012	2,540,704
Payments on long-term debt	(1,892,010)	(1,846,705)
Payment of interest on long-term debt	(1,322,994)	(1,237,386)
Purchase of property and equipment	(8,086,717)	(4,568,327)
Proceeds from sale of capital assets	202,225	67,393
Capitalized interest	(44,494)	(91,734)
Loan origination costs	-	(34,447)
Net Cash used for Capital and Capital Related Financing Activities	(6,673,978)	(5,170,502)
Investing Activities		
Distribution to non controlling interest in joint ventures	(218,824)	(16,474)
Distributions received from joint ventures	737,380	270,884
Interest and dividends received	63,565	74,473
Investment in joint venture	(435,000)	(2,192,593)
Net Cash Provided by (used for) Investing Activities	147,121	(1,863,710)
Net Increase in Cash and Cash Equivalents	(1,089,091)	3,115,968
Cash and Cash Equivalents, Beginning of Year	18,454,309	15,338,341
Cash and Cash Equivalents, End of Year	\$ 17,365,218	\$ 18,454,309
Reconciliation of Cash and Cash Equivalents to the Balance Sheet		
Cash and cash equivalents	\$ 16,802,331	\$ 17,263,977
Restricted cash	-	777,109
Board designated cash	562,887	413,223
Total Cash and Cash Equivalents	\$ 17,365,218	\$ 18,454,309

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combined Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities		
Operating income	\$ 4,292,788	\$ 5,253,723
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	2,498,980	2,462,272
Provision for bad debts	8,989,294	7,707,432
Changes in assets and liabilities		
Patient receivables	(9,201,220)	(4,937,834)
Other receivables	(371,004)	139,917
Due from related parties	(574,978)	313,138
Supplies	(378,126)	(48,136)
Prepays	119,553	151,206
Other assets	221,498	187,116
Accounts payable	688,738	(703,405)
Accrued expenses	174,829	685,823
Estimated third-party payor settlement	(1,020,986)	(1,019,003)
Due to related parties	-	(37,969)
	<u>\$ 5,439,366</u>	<u>\$ 10,154,280</u>
Noncash Investing, Capital, and Financing Activities		
Income from joint venture	<u>\$ 286,344</u>	<u>\$ 268,285</u>
Gain (loss) on asset disposal	<u>\$ 20,277</u>	<u>\$ (27,484)</u>
Joint venture acquisition in accounts payable	<u>\$ -</u>	<u>\$ 500,000</u>

Note 1 - Organization and Significant Accounting Policies

Tahlequah Hospital Authority

Tahlequah Hospital Authority (“Authority”) is a public trust created on June 3, 1974, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The Authority’s sole activity is the operation of a 100-bed general acute care hospital facility in Tahlequah, Oklahoma. The Authority primarily earns revenues by providing general acute care, psychiatric, and inpatient rehab services to residents in and around the City of Tahlequah, Oklahoma. The trustees of the Authority consist of one councilman of the City of Tahlequah, Oklahoma, one active medical staff member of the hospital, and five citizens and residents of Cherokee County, Oklahoma. The City of Tahlequah, Oklahoma is the beneficiary and will receive all residual trust funds and assets upon termination of the trust.

The Authority has a controlling interest in Tahlequah Diagnostic Imaging, LLC (“TDI”), which was incorporated as a limited liability company in December, 2002. TDI provides MRI, CT, hyperbarics, and other imaging equipment.

The Authority has a controlling interest in Northeast Oklahoma Heart Center (“NOHC”), which is a limited liability company organized under the Oklahoma Limited Liability Act in July, 2005, in Oklahoma, to provide cardiovascular management services to the Tahlequah Hospital Authority.

Tahlequah Hospital Foundation, Inc (“Foundation”), a corporation, was established in August 2001, to raise money for the Tahlequah City Hospital. The Foundation’s Board of Managers is elected entirely by the Tahlequah Hospital Authority and is under its sole control.

The Authority has a controlling interest in Tahlequah Vision Associates (“TVA”), which is a limited liability company organized under the Oklahoma Limited Liability Act in October, 2006, in Oklahoma, to provide eye surgery equipment, specifically for the removal of cataracts. During the year ending June 30, 2011, TVA ceased operations and is not longer in existence.

Proprietary Fund Accounting

The Authority uses proprietary fund accounting whereby revenues and expenses are recognized on the accrual basis. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Reclassification and Corrections

Certain items in the prior year financial statements have been reclassified for comparability purposes with the current year financial statements. These reclassifications did not affect the financial position or changes in net assets as previously reported.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding restricted cash.

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market.

Investments in Joint Ventures

Tahlequah Diagnostic Imaging, LLC ("TDI"), a limited liability company, was established in December 2002, to provide MRI, CT, hyperbarics, and other imaging equipment previously provided by Tahlequah City Hospital ("Hospital"). TDI's Board of Managers consists of five managers divided into two classes, three Authority Managers and two Class A Managers. The Authority owns 75 membership units, or 60% of the outstanding units. Therefore, the Authority members elect the majority of the Board of Managers and have significant control over TDI. In its general appeal to capture all the business formerly provided by the Authority, TDI solicits to serve everyone in the community.

The Authority's investment in TDI is \$747,103 and \$654,962 for the periods ending June 30, 2011 and 2010, respectively. As the Authority has majority ownership interest and management control over TDI, the balance of the investment in TDI is reclassified in the combining process as reflected in the combining balance sheets and statements of revenues, expenses and net assets included in the supplementary schedules above.

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Notes to Financial Statements
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Northeast Oklahoma Heart Center, LLC (“NOHC”), a limited liability company, was established in July 2005, to provide heart procedures to the surrounding community. NOHC’s Board of Managers consists of 4 managers divided into two classes, 3 Authority Managers, and 1 Class A Manager. The Authority owns 60% of the outstanding units. Therefore, the Authority members elect the majority of the Board of Managers and have significant control over NOHC.

The Authority’s investment in NOHC is \$1,025,963 and \$602,523 for the periods ending June 30, 2011 and 2010. As the Authority has majority ownership interest and management control over NOHC, the balance of the investment in NOHC is reclassified in the combining process as reflected in the combining balance sheets and statements of revenues, expenses and net assets included in the supplementary schedules above.

As the Authority has control over the Foundation, the balance of the interest in the Foundation is reclassified in the combining process as reflected in the combining balance sheets and statements of revenues, expenses and net assets included in the supplementary schedules above. The Authority's interest in the Foundation at June 30, 2011 and 2010 end was \$2,831,468 and \$2,353,496.

Tahlequah Vision Associates (“TVA”) is a limited liability company organized under the Oklahoma Limited Liability Act in October 2006, in Oklahoma, to provide eye surgery equipment, specifically for the removal of cataracts. TVA’s Board of Managers consists of five managers divided into two classes, three Authority Managers and two Class A Managers. The Authority owns 60 membership units, or 60% of the outstanding units. Therefore, the Authority members elect the majority of the Board of Managers and have significant control over TVA. In its general appeal to captivate all the business formerly provided by the Authority, TVA solicits to serve everyone in the community. During the year ending June 30, 2011, TVA ceased operations and is not longer in existence.

The Authority’s investment in TVA is \$0 and \$44,322 for the periods ending June 30, 2011 and 2010. As the Authority has majority ownership interest and management control over TVA, the balance of the investment in TVA is reclassified in the combining process as reflected in the combining balance sheets and statements of revenues, expenses and net assets included in the supplementary schedules above.

All joint venture investments with minority ownership are accounted for under the equity method.

Investments in debt and equity securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, other current assets, other assets, accounts payable, accrued expenses, and debt: The carrying values reported in the balance sheets approximate their fair values because of the short maturity of these instruments.

Capital Assets

Capital asset acquisitions in excess of \$1,000 are capitalized and recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	3-15 years
Buildings and improvements	5-40 years
Equipment	5-20 years

Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Net Assets - Net assets are presented in the following three components

Net Assets Invested in Capital Assets, Net of Related Debt - Invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and reduced by the remaining balances of any outstanding balances used to finance the purchase or construction of those assets.

Expendable Restricted – Expendable restricted net assets consist of cash restricted for payment of debt service.

Unrestricted Net Assets - Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Authority's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Authority incurred approximately \$233,000 and \$217,000 for advertising costs for the years ended June 30, 2011 and 2010, respectively.

Charity Care

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

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

Income Taxes

The Authority is classified as a political subdivision and is exempt under Section 115 of the Internal Revenue Code and is not required to file federal income tax returns.

Tahlequah Hospital Authority
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Note 2 - Charity Care

The Authority maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amounts of charges foregone, based on established rates, were approximately \$2,090,000 and \$2,238,000 for the years ended June 30, 2011 and 2010.

Note 3 - Accounts Receivable – Patients – Net

Patient accounts receivable reported as current assets by the Authority at June 30, 2011 and 2010, consisted of these amounts:

	2011	2010
Receivable from patients and their insurance carriers	13,583,716	12,538,780
Receivable from Medicare	3,143,459	2,518,271
Receivable from Medicaid	1,218,241	960,880
Total patient accounts receivable	17,945,416	16,017,931
Less allowance for uncollectible accounts	8,047,117	6,331,558
Patient accounts receivable, net	9,898,299	9,686,373

Note 4 - Lease Receivable

The terms, due dates, and securing collateral of the Authority's long-term receivables at June 30, 2011 and 2010 follow:

	2011	2010
Lease receivable, due in monthly installments of \$6,603 through June 2031, including interest, at 6.9%, secured by medical office building,	\$ 1,584,628	\$ -
Less amounts considered to be interest	(724,138)	-
Lease receivable, net	860,490	-
Less current portion	79,279	-
Lease receivable net of current portion	781,211	-

Tahlequah Hospital Authority
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Scheduled principal and interest repayments on long-term receivables are as follows:

Year ending June 30,	Principal	Interest
2012	\$ 25,490	\$ 53,789
2013	21,963	57,269
2014	23,537	55,695
2015	25,223	54,008
2016	27,031	52,201
2017 to 2021	167,137	229,020
2022 to 2026	236,241	159,916
2027 to 2031	333,868	62,240
Total	<u>\$ 860,490</u>	<u>\$ 724,138</u>

Note 5 - Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2007. The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are based on a predetermined fee per visit.

Other: The Authority has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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Notes to Financial Statements
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A summary of Authority patient service revenue and contractual adjustments for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Total patient service revenue	\$ 149,486,966	\$ 139,743,114
Contractual adjustments		
Medicare	(37,240,175)	(38,340,339)
Medicaid	(15,608,023)	(15,691,667)
Other	(21,900,218)	(16,668,025)
Total contractual adjustments	(74,748,416)	(70,700,031)
Provision for bad debts	(8,989,294)	(7,707,432)
Net patient service revenue	\$ 65,749,256	\$ 61,335,651

Note 6 - Investments in Affiliated Companies

The Authority uses the equity method to account for the joint venture investments listed below. At June 30, 2011 and 2010, the Authority's investment in joint ventures consisted of the following:

	2011	2010
Northeast Oklahoma Cancer Center	\$ 96,409	\$ 159,049
Cherokee Health Partners, LLC	571,394	557,551
Platte Dialysis	1,902,522	1,839,911
Oklahoma Cancer Center Realty	935,000	500,000
Total investment in joint venture	\$ 3,505,325	\$ 3,056,511

Joint venture income, distributions, and contributions balances for the years ended June 30, 2011 and 2010 are as follow:

	Balance June 30, 2010	Joint Venture Income	Distributions	Purchase/ Contributions	Balance June 30, 2011
Investment in joint ventures	\$ 3,056,511	\$ 286,344	\$ (272,530)	\$ 435,000	\$ 3,505,325
	Balance July 01, 2009	Joint Venture Income	Distributions	Purchase/ Contributions	Balance June 30, 2010
Investment in joint ventures	\$ 866,517	\$ 268,285	\$ (270,884)	\$ 2,192,593	\$ 3,056,511

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Northeast Oklahoma Cancer Center (NOCC), a limited liability company was established September 2006 to provide radiation oncology services to the residents of Cherokee County, Oklahoma and surrounding areas. Tahlequah Hospital Authority is a 30 percent owner of NOCC. During 2011 and 2010, the Authority was paid \$983,179 and \$1,036,059 for services provided to NOCC. NOCC owed the Authority \$63,670 and \$64,042 included in accounts payable at June 30, 2011 and 2010, respectively.

Cherokee Health Partners, LLC (CHP), a limited liability company, was incorporated as a tribal limited liability company in September 2004. CHP provides cardiac and other imaging services. Tahlequah Hospital Authority is a 49 percent owner of CHP. In its general appeal to capture all the business currently provided by the Authority, CHP solicits to serve everyone in the community. During 2011 and 2010, the Authority was paid \$2,549,355 and \$2,233,065 for services and building space provided to CHP. The Authority owed CHP \$18,000 and \$18,000 for the years ended June 30, 2011, and 2010, respectively. The Authority was owed \$637,400 and \$358,922 for the years ended June 30, 2011 and 2010, respectively.

Platte Dialysis, LLC (Platte), a limited liability company, was established October 2009 to provide dialysis services to residents of Cherokee County, Oklahoma and surrounding areas. Tahlequah Hospital Authority is a 49 percent owner of Platte. In its general appeal to capture all the business currently provided by the Authority, Platte solicits to serve everyone in the community.

Oklahoma Cancer Center Realty, LLC (OCCR), a limited liability company, was established November 2009 to lease office space to physicians in Tulsa County, Oklahoma and surrounding areas. Tahlequah Hospital Authority is a 50 percent owner of OCCR.

Investment Income

Investment income from cash equivalents, restricted cash, and other investments consists of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Other income		
Interest income	\$ 63,565	\$ 74,473
Investment income from joint venture	286,344	268,285
	\$ 349,909	\$ 342,758

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Note 7 - Cash and Deposits

At June 30, 2011 and 2010, Tahlequah Hospital Authority had bank balances as follows:

	2011	2010
Insured (FDIC)	\$ 2,648,840	\$ 18,885,551
Collateralized by securities held by the pledging financial institution's trust department in the Authority's name	14,396,222	-
Uninsured	1,143,514	526,748
Total	\$ 18,188,576	\$ 19,412,299
Carrying value	\$ 17,365,218	\$ 18,454,309

State statutes require that investments be made only in U.S. government obligations and that all bank balances are protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 100 percent of the deposits not covered by insurance or bonds.

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent by not in the Authority's name.

The Authority secures cash deposits in excess of \$250,000 with U.S. Government or Federal Agency securities. State law requires all deposits of public funds to be collateralized. At June 30, 2011 and 2010, the carrying amount of the Authority's deposits was \$17,365,218 and \$18,454,684 and the bank balance was \$18,188,577 and \$18,166,750, respectively. The Authority's cash balances are maintained in various bank deposit accounts. At June 30, 2011 and 2010, there were \$1,143,514 and \$526,748, respectively, in excess of federally insured limits.

Investment Credit Risk – Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits investments to the following types of securities: U.S. Treasury securities, Federal Agency securities, and certificates of deposits.

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Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments. Investments issued or explicitly guaranteed by the U.S. government and investment in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

Note 8 - Capital Assets

Capital assets additions, retirements, and balances for the year ended June 30, 2011 are as follows:

	Balance June 30, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
Non-Depreciable Cost					
Land	\$ 111,248	\$ 1,861,276	\$ -	\$ -	\$ 1,972,524
Construction in progress	2,407,728	4,731,390	860,490	(155,453)	6,123,175
Non-depreciable capital assets	<u>\$ 2,518,976</u>	<u>\$ 6,592,666</u>	<u>\$ 860,490</u>	<u>\$ (155,453)</u>	<u>\$ 8,095,699</u>
Depreciable Cost					
Land improvements	840,373	-	53,000	-	787,373
Buildings and fixed equipment	21,998,339	-	102,248	155,453	22,051,544
Major movable equipment	16,370,786	1,538,545	459,107	-	17,450,224
Depreciable capital assets cost	<u>39,209,498</u>	<u>1,538,545</u>	<u>614,355</u>	<u>155,453</u>	<u>40,289,141</u>
Accumulated depreciation					
Land improvements	234,549	20,978	-	-	255,527
Buildings and fixed equipment	8,659,303	746,313	73,699	-	9,331,917
Major movable equipment	9,403,534	1,706,596	357,889	-	10,752,241
Total accumulated depreciation	<u>18,297,386</u>	<u>2,473,887</u>	<u>431,588</u>	<u>-</u>	<u>20,339,685</u>
Depreciable capital assets, net	<u>\$ 20,912,112</u>	<u>\$ (935,342)</u>	<u>\$ 182,767</u>	<u>\$ 155,453</u>	<u>\$ 19,949,456</u>

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June 30, 2011 and 2010

Capital assets additions, retirements, and balances for the year ended June 30, 2010 are as follows:

	Balance June 30, 2009	Additions	Disposals	Transfers	Balance June 30, 2010
Non-Depreciable Cost					
Land	\$ 111,248	\$ -	\$ -		\$ 111,248
Construction in progress	2,100,908	2,296,765	-	(1,989,945)	2,407,728
Non-depreciable capital assets	<u>\$ 2,212,156</u>	<u>\$ 2,296,765</u>	<u>\$ -</u>	<u>\$ (1,989,945)</u>	<u>\$ 2,518,976</u>
Depreciable Cost					
Land improvements	840,373	-	-	-	840,373
Buildings and fixed equipment	20,869,444	23,568	37,580	1,142,907	21,998,339
Major movable equipment	14,044,449	2,339,728	860,429	847,038	16,370,786
Depreciable capital assets cost	<u>35,754,266</u>	<u>2,363,296</u>	<u>898,009</u>	<u>1,989,945</u>	<u>39,209,498</u>
Accumulated depreciation					
Land and improvements	212,402	22,147	-	-	234,549
Buildings and fixed equipment	7,940,852	742,283	23,832	-	8,659,303
Major movable equipment	8,508,373	1,674,431	779,270	-	9,403,534
Total accumulated depreciation	<u>16,661,627</u>	<u>2,438,861</u>	<u>803,102</u>	<u>-</u>	<u>18,297,386</u>
Depreciable capital assets, net	<u>\$ 19,092,639</u>	<u>\$ (75,565)</u>	<u>\$ 94,907</u>	<u>\$ 1,989,945</u>	<u>\$ 20,912,112</u>

Note 9 - Leases

The Authority leases certain equipment under non-cancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense in June 30, 2011 and 2010 for all operating leases were \$1,809,164 and \$510,868, respectively.

	2011	2010
Major movable equipment under capital lease obligation	\$ 2,454,515	\$ 2,454,515
Less accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(2,178,663)</u>	<u>(1,910,383)</u>
	<u>\$ 275,852</u>	<u>\$ 544,132</u>

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June 30, 2011 and 2010

Note 10 - Debt

Debt consists of:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Debt					
Revenue notes	\$ 13,423,284	\$ -	\$ 444,601	\$ 12,978,683	\$ 472,102
Mortgage loans	<u>9,225,881</u>	<u>3,870,012</u>	<u>1,113,242</u>	<u>11,982,651</u>	<u>1,341,165</u>
Total debt	22,649,165	3,870,012	1,557,843	24,961,334	1,813,267
Capital lease obligations	<u>572,898</u>	<u>-</u>	<u>134,167</u>	<u>438,731</u>	<u>140,032</u>
Total long-term debt	<u>\$ 23,222,063</u>	<u>\$ 3,870,012</u>	<u>\$ 1,692,010</u>	<u>\$ 25,400,065</u>	<u>\$ 1,953,299</u>

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Debt					
Revenue notes	\$ 13,842,028	\$ -	\$ 418,744	\$ 13,423,284	\$ 444,603
Mortgage loans	<u>7,597,008</u>	<u>2,540,704</u>	<u>911,831</u>	<u>9,225,881</u>	<u>1,112,073</u>
Total debt	21,439,036	2,540,704	1,330,575	22,649,165	1,556,676
Capital lease obligations	<u>1,089,028</u>	<u>-</u>	<u>516,130</u>	<u>572,898</u>	<u>134,166</u>
Total long-term debt	<u>\$ 22,528,064</u>	<u>\$ 2,540,704</u>	<u>\$ 1,846,705</u>	<u>\$ 23,222,063</u>	<u>\$ 1,690,842</u>

The terms, due dates, and securing collateral of the Authority's long-term debt, including capital lease obligation, at June 30, 2011 and 2010 follow:

	2011	2010
Revenue Notes		
6.8% revenue note, due in monthly installments of \$70,113 including interest, through December 2017, secured by fixed assets	\$ 8,331,116	\$ 8,596,091
4.9% revenue note, due in monthly installments of \$34,149 including interest, through December 2027, secured by fixed assets	<u>4,647,567</u>	<u>4,827,193</u>
Total revenue notes	<u>12,978,683</u>	<u>13,423,284</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
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June 30, 2011 and 2010

Mortgage Loans

4.2% note payable, due in monthly installments of \$22,312 including interest, through November, 2012, secured by equipment	\$ 367,732		\$ 614,586
4.2% note payable, due in monthly installments of \$13,011 including interest, through May 2013, secured by equipment	286,869		427,547
4.4% notes payable, due in monthly installments of \$19,198 including interest, through November 2013, secured by equipment	544,705		746,185
6.4% note payable, due in monthly installments of \$24,346 including interest, through October 2014, secured by building	1,318,777		1,520,188
6.4% note payable, twelve months interest only payments following by principal and interest, through October 2014, secured by building	2,647,768		31,083
6.5% note payable, due in monthly installments of \$16,867 including interest, through January 2015, secured by equipment	645,187		799,861
4.1% note payable, due in monthly installments of \$4,268 including interest, through April 2024, secured by land	500,000		-
4.1% note payable, due in monthly installments of \$6,431 including interest, through April 2024, secured by land	753,327		-
5.8% note payable, due in monthly installments of \$32,192 including interest, through August, 2028, secured by women's center building	4,184,627		4,322,564
4.0% note payable, due in monthly installments of \$4,878 including interest, through December 2028, secured by land	733,659		763,867
	<u>11,982,651</u>		<u>9,225,881</u>
Total note payable			
Capitalized lease obligations, secured by equipment	<u>438,731</u>		<u>572,898</u>
	25,400,065		23,222,063
Less current maturities	<u>(1,953,299)</u>		<u>(1,690,842)</u>
Long-term debt, less current maturities	<u>\$ 23,446,766</u>		<u>\$ 21,531,221</u>

The terms, due dates, and securing collateral of the Authority's payable for closing costs, at June 30, 2011 and 2010 follows:

	<u>2011</u>		<u>2010</u>
Note payable, due in monthly installments of 100,000, through October 2011, secured by land	<u>\$ 400,000</u>		<u>\$ -</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Notes to Financial Statements
June 30, 2011 and 2010

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year ending June 30,	Long-term debt		Capital lease obligations	
	Principal	Interest	Principal	Interest
2012	\$ 1,813,267	\$ 1,403,343	\$ 140,032	\$ 16,078
2013	1,807,978	1,317,926	146,154	9,956
2014	1,533,325	1,222,266	152,545	3,565
2015	1,418,094	1,134,292	-	-
2016	1,385,626	1,064,353	-	-
2017 to 2021	11,142,331	2,621,600	-	-
2022 to 2026	4,347,915	932,666	-	-
2027 to 2031	1,512,798	82,777	-	-
Total	<u>\$ 24,961,334</u>	<u>\$ 9,779,223</u>	<u>\$ 438,731</u>	<u>\$ 29,599</u>

Note 11 - Pension Plan

The Authority contributes to a defined contribution pension plan (403b) covering substantially all employees. Pension expense is recorded for the amount of the Authority's required contributions, determined in accordance with the terms of the plan. The plan is administered by a third-party administrator. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the Authority's Board of Trustees. The authority matches 3% of the participants contributions and participants vest after 3 years of full-time or part-time employment and completion of at least 1,000 hours of service in each plan year.. Total pension plan expense for the years ended June 30, 2011 and 2010, was \$503,344 and \$604,703, respectively.

Note 12 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Medicare and Medicaid	33%	37%
Other third-party payors	48%	45%
Patients	19%	18%
	<u>100%</u>	<u>100%</u>

Note 13 - Malpractice Insurance

The Authority pays fixed premiums for annual medical malpractice coverage under occurrence-basis policies. In general, the Authority bears risks for any individual claims with costs exceeding \$1,000,000 and the excess, if any, over aggregate costs of \$3,000,000 for claims occurring during the policy year. The Authority accrues the expense of its share of malpractice claim costs, if any, of any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident.

Such estimates are based on the Authority's own claims experience. No accrual for medical malpractice claims has been made in the accompanying financial statements.

Note 14 - Self-Insured Health Care Plan

The Authority is self-insured for the health care plan of its employees. In general, the Authority is self-insured under the plan to the extent of \$50,000 per person, per plan year, and in the aggregate per plan year of approximately \$2,100,000 with excess risk coverage obtained from an insurance company. The Authority accrues the expense of claim costs and plan administrative expenses for actual claims and expenses incurred. The estimates of unfiled claims are based upon the Authority's own claims experience.

Note 15 - Contingencies and Commitments

The Authority is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results of operations.

Note 16 - Subsequent Events

The Authority has evaluated subsequent events through December 6, 2011, that date which the financial statements were issued.

Supplementary Information
June 30, 2011 and 2010



Tahlequah Hospital Authority

A Component Unit of the City of Tahlequah, Oklahoma



Independent Auditor's Report on Supplementary Information

The Board of Directors
Tahlequah Hospital Authority
Tahlequah, Oklahoma

We have audited the financial statements of Tahlequah Hospital Authority as of and for the years then ended June 30, 2011 and 2010 and our report thereon dated December 6, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of net patient revenue, schedules of other operating revenue, and schedules of expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 6, 2011

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Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Balance Sheet Information
June 30, 2011

	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	\$ 12,964,120	\$ 1,527,542	\$ 160,379	\$ 2,150,290	\$ -	\$ -	\$ 16,802,331
Restricted cash	-	-	-	-	-	-	-
Board designated cash	562,887	-	-	-	-	-	562,887
Receivables							
Patient, net	9,892,519	-	5,780	-	-	-	9,898,299
Other	683,973	-	-	-	-	(41,718)	642,255
Current portion of lease receivable	79,279	-	-	3,609	-	(3,609)	79,279
Related parties	565,088	264,839	1,200,167	3,434	-	(1,332,458)	701,070
Supplies	1,568,879	-	469,116	-	-	-	2,037,995
Prepaid expenses	694,517	22,317	75,919	25,445	-	-	818,198
Total current assets	27,011,262	1,814,698	1,911,361	2,182,778	-	(1,377,785)	31,542,314
Capital Assets, Net	24,043,054	1,017,972	-	2,984,129	-	-	28,045,155
Other Assets							
Investment in TDI	747,103	-	-	-	-	(747,103)	-
Investment in NOHC	1,025,963	-	-	-	-	(1,025,963)	-
Interest in Foundation	2,831,468	-	-	-	-	(2,831,468)	-
Investment in TVA	-	-	-	-	-	-	-
Investment in CHP	571,394	-	-	-	-	-	571,394
Investment in Cancer Center	96,409	-	-	-	-	-	96,409
Investment in Realty	935,000	-	-	-	-	-	935,000
Investment in Platte Dialysis	1,902,522	-	-	-	-	-	1,902,522
Total investments in joint ventures	8,109,859	-	-	-	-	(4,604,534)	3,505,325
Unamortized loan organization costs	308,274	-	-	-	-	-	308,274
Investment in captive insurance	100,000	-	-	-	-	-	100,000
Lease receivable, net of current portion	781,211	-	-	104,045	-	(104,045)	781,211
Other	478,664	-	-	-	-	-	478,664
Total other assets	9,778,008	-	-	104,045	-	(4,708,579)	5,173,474
Total assets	\$ 60,832,324	\$ 2,832,670	\$ 1,911,361	\$ 5,270,952	\$ -	\$ (6,086,364)	\$ 64,760,943

	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	\$ 1,708,867	\$ 166,333	\$ -	\$ 81,708	\$ -	\$ (3,609)	\$ 1,953,299
Closing cost	-	-	-	400,000	-	-	400,000
Accounts payable	2,135,643	136,075	204,783	-	-	(132,291)	2,344,210
Accrued expenses							
Salaries and benefits payable	907,778	-	-	-	-	-	907,778
Vacation	943,044	-	-	-	-	-	943,044
Payroll taxes and other	680,849	-	-	-	-	-	680,849
Estimated third-party payer settlements	24,305	-	-	-	-	-	24,305
Due to related parties	1,200,167	-	-	59,718	-	(1,241,885)	18,000
Total current liabilities	7,600,653	302,408	204,783	541,426	-	(1,377,785)	7,271,485
Long-Term Debt, Less Current Maturities	21,166,679	478,854	-	1,905,278	-	(104,045)	23,446,766
Total liabilities	28,767,332	781,262	204,783	2,446,704	-	(1,481,830)	30,718,251
Noncontrolling interest in joint ventures							
Net Assets	-	-	-	-	-	1,977,701	1,977,701
	32,064,992	2,051,408	1,706,578	2,824,248	-	(6,582,235)	32,064,991
Total net assets	32,064,992	2,051,408	1,706,578	2,824,248	-	(4,604,534)	34,042,692
Total liabilities and net assets	\$ 60,832,324	\$ 2,832,670	\$ 1,911,361	\$ 5,270,952	\$ -	\$ (8,064,065)	\$ 64,760,943

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Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Balance Sheet Information
June 30, 2010

Assets	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Current Assets							
Cash and cash equivalents	\$ 14,425,601	\$ 808,346	\$ 140,410	\$ 1,884,225	\$ 5,395	\$ -	\$ 17,263,977
Restricted cash	777,109	-	-	-	-	-	777,109
Board designated cash	413,223	-	-	-	-	-	413,223
Receivables							
Patient, net	9,678,658	-	7,715	-	-	-	9,686,373
Other	271,251	-	-	-	-	-	271,251
Current portion of long-term note receivable	-	-	-	-	-	-	-
Related parties	460,429	118,553	648,529	2,780	4,759	(1,108,958)	126,092
Supplies	1,362,405	-	297,464	-	-	-	1,659,869
Prepaid expenses	760,642	45,941	105,616	14,074	11,478	-	937,751
Total current assets	28,149,318	972,840	1,199,734	1,901,079	21,632	(1,108,958)	31,135,645
Capital Assets, Net	20,835,519	1,323,537	-	1,227,065	44,967	-	23,431,088
Other Assets							
Investment in TDI	654,962	-	-	-	-	(654,962)	-
Investment in HOHC	602,523	-	-	-	-	(602,523)	-
Interest in Foundation	2,353,496	-	-	-	-	(2,353,496)	-
Investment in TVA	44,322	-	-	-	-	(44,322)	-
Investment in CHP	557,551	-	-	-	-	-	557,551
Investment in Cancer Center	159,049	-	-	-	-	-	159,049
Investment in Realty	500,000	-	-	-	-	-	500,000
Investment in Platte Dialysis	1,839,911	-	-	-	-	-	1,839,911
Unamortized loan organization costs	6,711,814	-	-	-	-	(3,655,303)	3,056,511
Investment in captive insurance	332,548	-	-	-	-	-	332,548
Long-Term note receivable, less current portion	100,000	-	-	-	-	-	100,000
Other	700,162	-	-	-	-	-	700,162
Total other assets	7,844,524	-	-	-	-	(3,655,303)	4,189,221
Total assets	\$ 56,829,361	\$ 2,296,377	\$ 1,199,734	\$ 3,128,144	\$ 66,599	\$ (4,764,261)	\$ 58,755,954

	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	\$ 1,507,128	\$ 155,061	\$ -	\$ 28,653	\$ -	\$ -	\$ 1,690,842
Closing cost	-	-	-	-	-	-	-
Trade accounts payable	1,877,707	38,977	198,889	-	328	(460,429)	1,655,472
Accrued expenses							
Salaries and benefits payable	702,829	-	-	-	-	-	702,829
Vacation	873,444	-	-	-	-	-	873,444
Payroll taxes and other	780,569	-	-	-	-	-	780,569
Estimated third-party payer settlements	1,045,291	-	-	-	-	-	1,045,291
Due to related parties	648,529	-	-	18,000	-	(648,529)	18,000
Total current liabilities	7,435,497	194,038	198,889	46,653	328	(1,108,958)	6,766,447
Long-Term Debt, Less Current Maturities	20,151,206	644,800	-	735,215	-	-	21,531,221
Total liabilities	27,586,703	838,838	198,889	781,868	328	(1,108,958)	28,297,668
Minority interest in joint ventures	-	-	-	-	-	1,215,628	1,215,628
Net Assets	29,242,658	1,457,539	1,000,845	2,346,276	66,271	(4,870,931)	29,242,658
Total net assets	29,242,658	1,457,539	1,000,845	2,346,276	66,271	(3,655,303)	30,458,286
Total liabilities and net assets	\$ 56,829,361	\$ 2,296,377	\$ 1,199,734	\$ 3,128,144	\$ 66,599	\$ (5,979,889)	\$ 58,755,954

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Assets Information
Year Ended June 30, 2011

	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Operating Revenue							
Net patient service revenue	\$ 64,471,136	\$ 1,198,860	\$ 10,319,672	\$ -	\$ -	\$ (10,240,412)	\$ 65,749,256
Other revenue	2,928,194	-	-	825,679	23,080	(1,927,133)	1,849,820
Total operating revenue	<u>67,399,330</u>	<u>1,198,860</u>	<u>10,319,672</u>	<u>825,679</u>	<u>23,080</u>	<u>(12,167,545)</u>	<u>67,599,076</u>
Expenses							
Nursing services	19,647,925	-	5,318,600	-	-	(1,198,660)	23,767,865
Other professional services	26,926,721	19,266	510,604	900	1,630	(10,320,572)	17,138,549
General services	3,951,068	-	-	-	-	-	3,951,068
Administrative services	11,776,660	248,936	3,293,985	13,355	10,009	-	15,342,945
Other expenses	-	1,600	490,750	262,844	-	(148,313)	606,881
Depreciation and amortization	2,133,336	305,565	-	47,932	12,147	-	2,498,980
Total expenses	<u>64,435,710</u>	<u>575,367</u>	<u>9,613,939</u>	<u>325,031</u>	<u>23,786</u>	<u>(11,667,545)</u>	<u>63,306,288</u>
Operating Income	<u>\$ 2,963,620</u>	<u>\$ 623,493</u>	<u>\$ 705,733</u>	<u>\$ 500,648</u>	<u>\$ (706)</u>	<u>\$ (500,000)</u>	<u>\$ 4,292,788</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Assets Information
Year Ended June 30, 2011

	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Nonoperating Revenues (Expenses)							
Investment income	\$ 45,050	\$ 12,507	\$ -	\$ 5,942	\$ 66	\$ -	\$ 63,565
Income from TDI	352,967	-	-	-	-	(352,967)	-
Income from NOHC	423,441	-	-	-	-	(423,441)	-
Income from Foundation	477,972	-	-	-	-	(477,972)	-
Loss from TVA	(687)	-	-	-	-	687	-
Income from CHP	13,843	-	-	-	-	-	13,843
Loss from NOCC	(62,640)	-	-	-	-	-	(62,640)
Income from Platte	335,141	-	-	-	-	-	335,141
Interest expense	(1,246,650)	(47,726)	-	(28,618)	-	-	(1,322,994)
Gain (loss) on disposal of equipment	20,277	-	-	-	-	-	20,277
Contributions expense	(500,000)	-	-	-	(1,600)	500,000	(1,600)
Total non operating revenue (expense)	<u>(141,286)</u>	<u>(35,219)</u>	<u>-</u>	<u>(22,676)</u>	<u>(1,534)</u>	<u>(753,693)</u>	<u>(954,408)</u>
Noncontrolling Interest in Joint Ventures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(516,047)</u>	<u>(516,047)</u>
Excess of Revenues (Expenses)							
Before Contributions and Distributions	2,822,334	588,274	705,733	477,972	(2,240)	(1,769,740)	2,822,333
Net Assets, Beginning of Year	29,242,658	1,457,539	1,000,845	2,346,276	66,271	(4,870,931)	29,242,658
Shares Purchased	-	461,975	-	-	2,875	(464,850)	-
Members' Distributions	-	(456,380)	-	-	(66,906)	523,286	-
Noncontrolling Interest in Joint Ventures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,977,701</u>	<u>1,977,701</u>
Net Assets, End of Year	<u>\$ 32,064,992</u>	<u>\$ 2,051,408</u>	<u>\$ 1,706,578</u>	<u>\$ 2,824,248</u>	<u>\$ -</u>	<u>\$ (6,582,235)</u>	<u>\$ 34,042,692</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Assets Information
Year Ended June 30, 2010

	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Operating Revenue							
Net patient service revenue	\$ 61,348,626	\$ 1,487,661	\$ 10,138,260	\$ -	\$ -	\$ (11,638,896)	\$ 61,335,651
Other revenue	2,507,610	-	-	1,373,789	58,004	(1,755,350)	2,184,053
Total operating revenue	<u>63,856,236</u>	<u>1,487,661</u>	<u>10,138,260</u>	<u>1,373,789</u>	<u>58,004</u>	<u>(13,394,246)</u>	<u>63,519,704</u>
Expenses							
Nursing services	17,386,775	-	5,259,000	-	-	(1,991,811)	20,653,964
Other professional services	26,753,398	16,864	314,880	800	2,369	(10,313,448)	16,774,863
General services	3,734,195	-	-	-	-	-	3,734,195
Administrative services	10,069,957	322,096	3,639,105	17,952	10,975	-	14,060,085
Other expenses	-	1,600	471,900	697,689	-	(590,587)	580,602
Depreciation	1,990,012	406,372	-	47,668	18,220	-	2,462,272
Total expenses	<u>59,934,337</u>	<u>746,932</u>	<u>9,684,885</u>	<u>764,109</u>	<u>31,564</u>	<u>(12,895,846)</u>	<u>58,265,981</u>
Operating Income	<u>\$ 3,921,899</u>	<u>\$ 740,729</u>	<u>\$ 453,375</u>	<u>\$ 609,680</u>	<u>\$ 26,440</u>	<u>\$ (498,400)</u>	<u>\$ 5,253,723</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Assets Information
Year Ended June 30, 2010

	Tahlequah Hospital Authority	Tahlequah Diagnostic Imaging	Northeast Oklahoma Heart Center	Tahlequah Hospital Foundation	Tahlequah Vision Associates	Reclassifications	Consolidated
Non Operating Revenues (Expenses)							
Investment income	\$ 61,926	\$ 7,215	\$ -	\$ 4,748	\$ 584	\$ -	\$ 74,473
Income from TDI	435,494	-	-	-	-	(435,494)	-
Income from NOHC	270,540	-	-	-	-	(270,540)	-
Interest in Foundation	590,587	-	-	-	-	(590,587)	-
Loss from TVA	15,028	-	-	-	-	(15,028)	-
Income from CHP	32,158	-	-	-	-	-	32,158
Income from NOCC	(23,892)	-	-	-	-	-	(23,892)
Income from Platte	260,019	-	-	-	-	-	260,019
Interest expense	(1,183,825)	(22,121)	-	(31,062)	(378)	-	(1,237,386)
Gain (loss) on disposal of equipment	(27,484)	-	-	-	-	-	(27,484)
Contributions expense	(498,400)	-	(2,500)	-	(1,600)	498,400	(4,100)
Total non operating revenue (expense)	(67,849)	(14,906)	(2,500)	(26,314)	(1,394)	(813,249)	(926,212)
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	(473,461)	(473,461)
Excess of Revenues (Expenses)							
Before Contributions and Distributions	3,854,050	725,823	450,875	583,366	25,046	(1,785,110)	3,854,050
Net Assets, Beginning of Year	25,388,608	920,882	549,970	1,762,910	122,171	(3,355,933)	25,388,608
Shares Purchased	-	-	-	-	-	-	-
Members' Distributions	-	(189,166)	-	-	(80,946)	270,112	-
Net Assets, End of Year	\$ 29,242,658	\$ 1,457,539	\$ 1,000,845	\$ 2,346,276	\$ 66,271	\$ (4,870,931)	\$ 29,242,658

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	2011		
	Inpatient	Outpatient	Total
Patient Service Revenue			
Daily patient services			
Medical and surgical	\$ 4,274,211	\$ -	\$ 4,274,211
Intensive care unit	7,564,744	-	7,564,744
Nursery	654,876	-	654,876
	<u>12,493,831</u>	<u>-</u>	<u>12,493,831</u>
Other nursing services			
Central service supplies	235,468	35,267	270,735
Emergency room	2,435,253	12,949,605	15,384,858
Home health	-	214,747	214,747
Infection Control	157	1,627	1,784
Observation	-	874,641	874,641
Operating room	8,972,393	16,853,886	25,826,279
	<u>11,643,271</u>	<u>30,929,773</u>	<u>42,573,044</u>
Other professional services			
Ambulance	-	2,888,250	2,888,250
Anesthesiology	448,355	5,538,312	5,986,667
Cardiac cath lab	8,893,538	4,049,174	12,942,712
Electrocardiography	1,119,483	1,225,697	2,345,180
Geriatric psychology	2,758,206	-	2,758,206
Hyperbaric	2,625	204,565	207,190
Laboratory	5,086,903	9,202,582	14,289,485
Nephrology	-	246,676	246,676
Obstetrics	1,753,237	269,566	2,022,803
Pharmacy	6,506,657	2,834,605	9,341,262
Physical therapy	325,652	675,375	1,001,027
Physician	-	8,062,465	8,062,465
Radiology	2,484,371	20,666,141	23,150,512
Rehabilitation	2,981,177	45,865	3,027,042
Respiratory therapy	5,170,719	1,558,427	6,729,146
Speech therapy	34,669	59,726	94,395
Specialty clinics	-	138,198	138,198
Wellness center	-	294	294
	<u>\$ 37,565,592</u>	<u>\$ 57,665,918</u>	<u>95,231,510</u>
Charity care			<u>(2,089,539)</u>
Total patient service revenue			<u>148,208,846</u>
Contractual Adjustments			
Medicare			37,240,175
Medicaid			15,608,023
Other			21,900,218
Total contractual adjustments			<u>74,748,416</u>
Provision for Bad Debts			<u>8,989,294</u>
Net Patient Service Revenue			<u>\$ 64,471,136</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Net Patient Service Revenue
Years Ended June 30, 2011 and 2010

2010		
Inpatient	Outpatient	Total
\$ 4,568,488	\$ -	\$ 4,568,488
8,496,896	-	8,496,896
769,349	-	769,349
<u>13,834,733</u>	<u>-</u>	<u>13,834,733</u>
291,694	54,624	346,318
2,557,187	12,189,226	14,746,413
-	152,540	152,540
735	2,363	3,098
-	804,099	804,099
9,429,278	12,409,900	21,839,178
<u>12,278,894</u>	<u>25,612,752</u>	<u>37,891,646</u>
-	2,667,854	2,667,854
541,846	5,140,101	5,681,947
10,230,794	3,795,522	14,026,316
1,293,653	1,155,538	2,449,191
2,689,260	-	2,689,260
2,625	323,580	326,205
5,003,338	8,472,920	13,476,258
-	220,671	220,671
2,136,405	247,490	2,383,895
7,254,167	2,507,590	9,761,757
227,185	539,732	766,917
-	4,218,085	4,218,085
2,915,986	18,307,294	21,223,280
2,864,271	67,297	2,931,568
5,743,202	1,550,500	7,293,702
56,107	47,822	103,929
-	46,636	46,636
-	714	714
<u>\$ 40,958,839</u>	<u>\$ 49,309,346</u>	90,268,185
		<u>(2,238,475)</u>
		<u>139,756,089</u>
		38,340,339
		15,691,667
		<u>16,668,025</u>
		<u>70,700,031</u>
		<u>7,707,432</u>
		<u>\$ 61,348,626</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Other Revenue
Years Ended June 30, 2011 and 2010

	2011	2010
Other Revenue		
Anesthesia rental income	\$ 985,408	\$ 943,548
Cafeteria	436,294	425,735
Contributions	36,150	-
Discounts	71,995	82,520
Drugs and supplies sold	9,325	7,798
Medical records	14,183	10,453
Reimbursed expenses	1,224,316	874,241
Miscellaneous	146,381	158,487
Vending machine	4,142	4,828
	\$ 2,928,194	\$ 2,507,610
Total Other Revenue		

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	2011		
	Salaries	Supplies & Expenses	Total
Nursing Services			
Central service supplies	\$ 171,755	\$ 66,060	\$ 237,815
Emergency room	1,337,714	2,351,663	3,689,377
Home health	-	135,560	135,560
Intensive care unit	791,711	500,980	1,292,691
Labor and delivery	886,735	275,218	1,161,953
Medical and surgical	2,681,805	732,868	3,414,673
Nursery	-	4,612	4,612
Nursing administration	562,871	38,606	601,477
Operating room	1,672,799	7,436,968	9,109,767
	<u>8,105,390</u>	<u>11,542,535</u>	<u>19,647,925</u>
Other Professional Services			
Ambulance	711,138	133,279	844,417
Anesthesiology	66,521	1,440,721	1,507,242
Cardiology	19,043	2,602	21,645
Cath lab	3,840	7,850,993	7,854,833
Electrocardiography	207,736	8,401	216,137
Geriatric psychology	868,219	205,820	1,074,039
Heart center	-	2,548	2,548
Health education	86,576	11,453	98,029
Hyperbarics	2,475	17,414	19,889
Laboratory	1,049,415	1,829,526	2,878,941
Nephrology	-	104,092	104,092
Occupational therapy	77,869	(7,025)	70,844
Pharmacy	794,278	1,252,575	2,046,853
Physical therapy	269,288	72,050	341,338
Physician	4,300,668	1,283,083	5,583,751
Radiology	1,292,875	189,067	1,481,942
Rehabilitation inpatient	503,024	1,041,664	1,544,688
Respiratory therapy	859,253	268,217	1,127,470
Social services	80,939	3,607	84,546
Speech therapy	(557)	727	170
Specialty clinics	-	23,307	23,307
	<u>11,192,600</u>	<u>15,734,121</u>	<u>26,926,721</u>
General Services			
Dietary	531,505	695,843	1,227,348
Housekeeping	383,839	125,869	509,708
Laundry and linen	-	247,892	247,892
Medical records	349,215	334,583	683,798
Plant operations	437,110	845,212	1,282,322
	<u>1,701,669</u>	<u>2,249,399</u>	<u>3,951,068</u>
Administrative Services			
Administration and office	2,251,800	4,097,051	6,348,851
Employee benefits	-	5,427,809	5,427,809
	<u>2,251,800</u>	<u>9,524,860</u>	<u>11,776,660</u>
Depreciation	-	2,133,336	2,133,336
	<u>\$ 23,251,459</u>	<u>\$ 41,184,251</u>	<u>\$ 64,435,710</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Expenses
Years Ended June 30, 2011 and 2010

2010		
Salaries	Supplies & Expenses	Total
\$ 159,844	\$ 54,872	\$ 214,716
1,316,171	2,097,818	3,413,989
-	106,456	106,456
667,758	410,409	1,078,167
968,336	346,949	1,315,285
2,638,931	769,800	3,408,731
-	4,056	4,056
550,590	26,774	577,364
1,343,460	5,924,551	7,268,011
<u>7,645,090</u>	<u>9,741,685</u>	<u>17,386,775</u>
721,711	201,568	923,279
86,191	1,412,982	1,499,173
21,701	1,167	22,868
(18,711)	8,632,968	8,614,257
199,581	26,890	226,471
829,728	142,332	972,060
-	672	672
67,793	9,276	77,069
29,175	134,597	163,772
1,025,072	1,832,917	2,857,989
27,290	75,256	102,546
74,227	(2,767)	71,460
820,750	1,414,344	2,235,094
214,303	41,046	255,349
2,458,672	951,851	3,410,523
1,006,851	1,675,402	2,682,253
460,090	973,557	1,433,647
630,414	448,731	1,079,145
84,740	1,609	86,349
3,636	999	4,635
19,134	15,653	34,787
<u>8,762,348</u>	<u>17,991,050</u>	<u>26,753,398</u>
444,274	594,608	1,038,882
353,369	159,360	512,729
-	238,776	238,776
302,631	419,465	722,096
444,393	777,319	1,221,712
<u>1,544,667</u>	<u>2,189,528</u>	<u>3,734,195</u>
1,996,082	2,871,806	4,867,888
-	5,202,069	5,202,069
<u>1,996,082</u>	<u>8,073,875</u>	<u>10,069,957</u>
<u>-</u>	<u>1,990,012</u>	<u>1,990,012</u>
<u>\$ 19,948,187</u>	<u>\$ 39,986,150</u>	<u>\$ 59,934,337</u>



CPAs & BUSINESS ADVISORS

Independent Auditor's 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

The Board of Trustees
Tahlequah Hospital Authority
Tahlequah, Oklahoma

We have audited the financial statements of Tahlequah Hospital Authority, a public trust, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 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 Tahlequah Hospital Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tahlequah Hospital Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tahlequah Hospital Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

Compliance and Other Matters

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

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

Eide Sallee LLP

Oklahoma City, Oklahoma
December 6, 2011