

LATIMER COUNTY HOSPITAL AUTHORITY
DBA
LATIMER COUNTY GENERAL HOSPITAL
Financial Statements
June 30, 2012 and 2011
With Independent Auditors' Report Thereon

JOHNSTON & BRYANT

Certified Public Accountants

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MEMBER
American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants

Independent Auditors Report

The Board of Trustees
Latimer County Hospital Authority
d/b/a Latimer County General Hospital
Wilburton, Oklahoma

We have audited the accompanying balance sheet of Latimer County Hospital Authority d/b/a Latimer County General Hospital as of June 30, 2012 and 2011, and the related statements of revenue and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of a 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Authority has chosen not to prepare management Discussion and Analysis which is required under accounting principles generally accepted in the United States of America. The effects of this omission is not reasonably determinable.

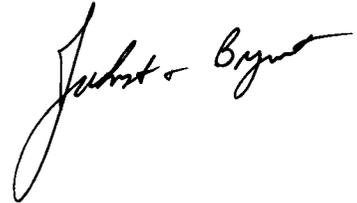
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Latimer County Hospital Authority d/b/a Latimer County General Hospital as of June 30, 2012 and 2011, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in note 12 to the financial statements, the Hospital has incurred a significant reduction in cash flow due to a payback of funds to Medicare (See Note 11.) and reduction in patient census that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Trustees
Latimer County Hospital Authority
d/b/a Latimer County General Hospital
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In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2012 on our consideration of Latimer County General Hospital Authority, d/b/a Latimer County General Hospital's internal control over financial reporting and on 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of net patient service revenue, other revenue, and operating expenses on pages 14-16 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

A handwritten signature in black ink, appearing to read "Jacobus Bryant", is located to the right of the main text block.

September 12, 2012

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Balance Sheet
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash on Hand and in Banks, including Time Deposits	\$ 2,004,490	\$ 2,306,753
Accounts Receivable - Patients, Less Allowances	866,304	867,414
Other Receivables – Sales Tax	49,082	48,012
Inventories	53,831	54,439
Prepaid Expenses	<u>-</u>	<u>-</u>
Total Current Assets	<u>2,973,707</u>	<u>3,276,618</u>
Capital Assets, Net	<u>4,565,389</u>	<u>4,200,070</u>
Total Assets	<u>\$ 7,539,096</u>	<u>\$ 7,476,688</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 186,093	\$ 85,087
Accrued Interest	287,127	-
Accrued Payroll and Vacations	306,283	274,164
Amount Due Under Cost Contracts	<u>1,970,770</u>	<u>-</u>
Total Current Liabilities	<u>2,750,273</u>	<u>359,251</u>
Net Assets		
Unrestricted	223,434	2,917,367
Invested in Capital Assets, Net of Related Debt	<u>4,565,389</u>	<u>4,200,070</u>
Total Net Assets	<u>4,788,823</u>	<u>7,117,437</u>
Total Liabilities and Net Assets	<u>\$ 7,539,096</u>	<u>\$ 7,476,688</u>

The accompanying notes are an integral part of these financial statements.

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Statement of Revenues and Expenses
and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Net Patient Service Revenue	\$ 5,629,740	\$ 6,963,827
Other Operating Revenue	24,599	29,881
Total Revenues	<u>5,654,339</u>	<u>6,993,708</u>
Expenses		
Nursing Services	3,373,169	3,394,269
Other Professional Services	2,122,595	2,266,091
General Services	606,301	596,714
Administrative Services	2,383,943	1,639,046
Provision for Depreciation	161,104	180,265
Total Expenses	<u>8,647,112</u>	<u>8,076,385</u>
Net Income (Loss) from Operations	<u>(2,992,773)</u>	<u>(1,082,677)</u>
Non-Operating Income		
Donations and Grants	49,981	46,105
Interest Income	26,363	29,618
County Sales Tax	587,815	683,463
Total Non-Operating	<u>664,159</u>	<u>759,186</u>
Change in Net Assets	(2,328,614)	(323,491)
Net Assets, Beginning of Year	<u>7,117,437</u>	<u>7,440,928</u>
Net Assets, End of Year	<u>\$ 4,788,823</u>	<u>\$ 7,117,437</u>

The accompanying notes are an integral part of these financial statements.

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Statement of Cash Flow
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flow from Operating Activities		
Patient Service Revenue	\$ 5,630,852	\$ 7,063,524
Other Revenue	24,137	48,955
Payment to Vendors and Suppliers	(2,344,049)	(3,992,185)
Payment to Employees	(3,750,939)	(3,819,253)
Net Cash Provided By/(Used in) Operating Activities	<u>(439,999)</u>	<u>(698,959)</u>
Cash Flows from Non-Capital Financing Activities		
Sales Tax Receipts	587,815	683,463
Donations	49,982	46,105
Net Cash Provided By Non-Capital Financing Activities	<u>637,797</u>	<u>729,568</u>
Cash Flows from Investing Activities		
Purchase of Capital Assets	(526,424)	(51,843)
Income from Investments	26,363	29,618
Net Cash Provided (Used) in Investing Activities	<u>(500,061)</u>	<u>(22,225)</u>
Increase/ (Decrease) in Cash	(302,263)	8,384
Cash - Beginning of Year	<u>2,306,753</u>	<u>2,298,369</u>
Cash - End of Year	<u>\$ 2,004,490</u>	<u>\$ 2,306,753</u>

The accompanying notes are an integral part of these financial statements.

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flow from Operating Activities		
Operating Income/(Loss)	\$ (2,992,773)	\$ (1,082,677)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided By Operating Activities:		
Depreciation	161,104	180,265
Changes in:		
Patient and Other Accounts Receivable	40	106,355
Estimated Third Party Settlements	1,970,770	-
Supplies, Prepaid Expenses and Other Assets	610	12,416
Accounts Payable and Accrued Expenses	420,250	84,682
Net Cash Provided/(used in) Operating Activities	<u>\$ (439,999)</u>	<u>\$ (698,959)</u>

The accompanying notes are an integral part of these financial statements.

LATIMER COUNTY HOSPITAL AUTHORITY
DBA
LATIMER COUNTY GENERAL HOSPITAL
Notes to the Financial Statements
June 30, 2012 and 2011

Note 1. **Ownership**

The Latimer County General Hospital is owned by Latimer County and operated by the Latimer County Hospital Authority as a public trust created under Title 60, Oklahoma Statutes, 1961 for the benefit of the County. The Hospital consists of thirty-seven beds. The Hospital is a governmental entity as defined by GASB.

Note 2. **Summary of Significant Accounting Policies**

General Accounting Consideration - Latimer County Hospital Authority d/b/a Latimer County General Hospital provides short-term inpatient and outpatient healthcare. A large part of the Hospital services are for patients whose bills are paid in whole or in part by third-party payors, e.g., Medicare, Medicaid, and private insurance carriers. Record keeping, influenced by these third-party payors, requires a higher level of accountability including more financial and statistical information.

Patient Accounts Receivable - Patient service revenue is accounted for at established rates on the accrual basis. The Authority provides allowances for doubtful receivables equal to the estimated collection losses that will be included in collection of all receivables. The estimated losses are based on historical collection experience coupled with review of the current status of the existing receivables. Preliminary calculations of revenue adjustments relative to third-party contractual agreements are included in the accompanying financial statements. Normal variances between these estimates and final settlements upon audit by third-party payors are included in the statement of revenues and expenses in the year in which the settlement occurs.

Inventory - Inventory is generally stated at cost on the first-in, first-out method.

Property, Plant and Equipment - Property, plant and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred and betterments are capitalized. Gains and losses from sales or retirements are included in income in the period of disposition.

Depreciation expense is computed using the straight-line method over the estimated useful lives of related assets. The ranges of such useful lives are as follows:

Land Improvements	8-30 Years
Building	10-40 Years
Building Improvements	10-20 Years
Fixed Equipment	5-25 Years
Major Moveable Equipment	5-20 Years

LATIMER COUNTY HOSPITAL AUTHORITY
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Notes to the Financial Statements
June 30, 2012 and 2011

Note 2. Summary of Significant Accounting Policies (continued)

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 disclosures 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.

Accounting Standards – Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital 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.

The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Under GASB Statement No. 34, the Authority is required to present a statement of net assets classified between current and non-current assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and non-operating revenue and expenses and statement of cash flows using the direct methods.

Risk Management - The Hospital is exposed to various risk of loss from torts; theft of, damage to, 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 except certain natural disasters.

Income Taxes – The Authority is exempt under Section 501 (A) of the Internal Revenue Code as an organization described under Section 501 (c) (3) of the code.

Cash Equivalents – The Authority considers all liquid investments which have original maturities of six months or less to be cash equivalents.

Medical Malpractice Coverage and Claims - The Hospital pays fixed premiums for annual medical malpractice coverage under occurrence-basis policies. In general, the Hospital bears risks for any individual claims with costs exceeding \$1,000,000 and the excess, if any, over aggregate cost of \$3,000,000 for claims occurring during the policy year. The Hospital 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 Hospital's own claims experience. No accrual for medical malpractice claims has been made in the accompanying financial statements.

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Notes to the Financial Statements
June 30, 2012 and 2011

Note 2. Summary of Significant Accounting Policies (continued)

Proprietary Fund Accounting – The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Charity Care – The hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates.

Net Patient Service Revenue – 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.

Note 3. Amounts Payable on Cost Reimbursement Programs

The Hospital renders services to patients under contractual arrangements with the Medicare and Medicaid programs. The programs' administrative procedures preclude final determination of amounts due the Hospital for services to program patients until after the Hospital's cost reports are audited or otherwise reviewed and settled upon by the respective administrative agencies. Medicare cost reports have been audited and settled through 2007

Note 4. Accounts Receivable – Patients

	<u>2012</u>	<u>2011</u>
Total Accounts Receivable - Patients	\$ 1,712,745	\$ 2,333,341
Less Allowance for Uncollectible Accounts	<u>846,441</u>	<u>1,465,927</u>
Total	<u>\$ 866,304</u>	<u>\$ 867,414</u>

The allowance for uncollectible accounts is based upon all accounts over 120 days from date of discharge and management's estimate.

**LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL

Notes to the Financial Statements

June 30, 2012 and 2011

Note 5. Cash and Deposits
At June 30, 2012 and 2011, bank balances were as follows:

	2012	2011
Insured (FDIC)	\$ 1,300,518	\$ 1,177,778
Collateralized by securities held by the pledging financial institution's trust department in the hospitals's name	666,537	1,094,714
Uninsured, uncollateralized or collateralized by securities held its trust department or agent in other than the hospitals's name	37,435	34,261
Total	\$ 2,004,490	\$ 2,306,753
Carrying Value	\$ 2,004,490	\$ 2,306,753

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

The Hospital secures cash deposits in excess of \$100,000 with U.S. Government or Federal Agency securities. State law requires all deposits of public funds to be collateralized.

Note 6. Compensated Absences

The Authority’s employees earn vacation days at varying rates depending on years of service. Employees may accumulate vacation days up to a specified maximum. Compensated absence liabilities are computed using regular pay 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

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Notes to the Financial Statements
June 30, 2012 and 2011

Note 7. Capital Assets

Capital asset activity for the years ended June 30, 2012 and 2011 was as follows:

	2012				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Land	\$ 310,842	\$ -	\$ -	\$ -	\$ 310,842
Land Improvements	23,511	-	-	-	23,511
Buildings and Fixtures	4,304,259	526,424	-	-	4,830,683
Major Moveable Equipment	1,069,476	-	-	-	1,069,476
Total Capital Assets	<u>5,708,088</u>	<u>526,424</u>	<u>-</u>	<u>-</u>	<u>6,234,512</u>
Less Accumulated Depreciation					
Land Improvements	25,511	-	-	-	25,511
Buildings and Fixtures	774,109	94,293	-	-	868,402
Major Moveable Equipment	708,398	66,812	-	-	775,210
	<u>1,508,018</u>	<u>161,105</u>	<u>-</u>	<u>-</u>	<u>1,669,123</u>
Capital Assets - Net	<u>\$ 4,200,070</u>	<u>\$ 365,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,565,389</u>
	2011				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Land	\$ 310,842	\$ -	\$ -	\$ -	\$ 310,842
Land Improvements	23,511	-	-	-	23,511
Buildings and Fixtures	4,304,259	-	-	-	4,304,259
Major Moveable Equipment	1,017,633	51,843	-	-	1,069,476
Total Capital Assets	<u>5,656,245</u>	<u>51,843</u>	<u>-</u>	<u>-</u>	<u>5,708,088</u>
Less Accumulated Depreciation					
Land Improvements	25,511	-	-	-	25,511
Buildings and Fixtures	664,205	109,904	-	-	774,109
Major Moveable Equipment	638,037	70,361	-	-	708,398
	<u>1,327,753</u>	<u>180,265</u>	<u>-</u>	<u>-</u>	<u>1,508,018</u>
Capital Assets - Net	<u>\$ 4,328,492</u>	<u>\$ (128,422)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,200,070</u>

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Notes to the Financial Statements
June 30, 2012 and 2011

Note 8. Patient Service Revenue

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursement items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital'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 Hospital.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per-diem rate or established fee.

Blue Cross - Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

Other Carriers - 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.

Note 9. Concentration of Credit Risk

The Hospital is located in Wilburton, Oklahoma. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Notes to the Financial Statements
June 30, 2012 and 2011

Note 10. Net Patient Service Revenue

Net Patient Service Revenue for the year ended June 30, 2012 and 2011 is computed as follows:

	<u>2012</u>	<u>2011</u>
Gross Patient Service Revenues	\$ 9,552,529	\$ 8,927,140
Less:		
Bad debt	907,498	835,557
Charity	17,896	-
Medicaid Adjustment	612,619	524,844
Medicare Adjustment	1,904,786	152,964
Other	<u>479,990</u>	<u>449,948</u>
 Net Patient Service Revenues	 <u>\$ 5,629,740</u>	 <u>\$ 6,963,827</u>

Note 11. Amount Due Under Cost Contracts

The \$1,970,770 principal amount due under cost contracts and the \$287,127 of accrued interest are the result of a Home Health chart audit performed by CMS. CMS is subsequently withholding 100% of Home Health payments and applying the withheld payments to the calculated overpayment. Interest is accumulating at \$10.875% on the unpaid balance.

Note 12. Going Concern

The Authority board approved on September 12, 2012 to request an extended payback plan from Medicare concerning the amount discussed in Note 11. Medicare is currently recouping the amount by withholding payments to the Hospital and applying those withholdings to the calculated amount due. The rapid payback to Medicare coupled with reduced patient load has reduced the Hospitals' cash flow to the point where the Hospital is forced to rely on savings to make up the shortfall of cash flow. Management is attempting to obtain either short or long-term financing for working capital. However, should management not be able to obtain the required financing, or an extended payback with the Medicare payback, there is significant doubt as to the Hospital's ability to continue as a going concern.

**LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL

Net Patient Service Revenue

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Daily Patient Service		
Medical and Surgical	\$ 364,575	\$ 358,308
Observation Room	41,760	4,991
	<u>406,335</u>	<u>363,299</u>
Total Daily Patient Service		
Other Nursing Services		
Central Service and Supply	180,868	125,619
Emergency Room	650,203	543,836
	<u>831,071</u>	<u>669,455</u>
Total Other Nursing Units		
Other Professional Services		
Laboratory	2,175,084	2,183,669
Electrocardiology	165,115	155,171
Radiology	1,732,689	1,807,470
Pharmacy and I.V.'s	926,103	782,461
Inhalation Therapy	458,128	295,076
Clinic	1,090,922	892,905
Home Health	1,767,082	1,777,634
	<u>8,315,123</u>	<u>7,894,386</u>
Total Other Professional Services		
Total Patient Service Revenue	9,552,529	8,927,140
Less Contractual Adjustments		
Medicaid	612,619	524,844
Medicare	1,904,786	152,964
Bad Debts and Charity	925,394	835,557
Other Adjustments	479,990	449,948
	<u>3,922,789</u>	<u>1,963,313</u>
Net Patient Service Revenue	<u>\$ 5,629,740</u>	<u>\$ 6,963,827</u>

See accompanying accountant's report.

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Other Revenue
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Miscellaneous	<u>\$ 24,599</u>	<u>\$ 29,881</u>
 Total Other Operating Revenue	 <u><u>\$ 24,599</u></u>	 <u><u>\$ 29,881</u></u>

See accompanying accountant's report.

LATIMER COUNTY HOSPITAL AUTHORITY
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LATIMER COUNTY GENERAL HOSPITAL
Operating Expenses
Years Ended June 30, 2011 and 2011

	2012		Total
	Salaries and Wages	Supplies and Other Expenses	
Nursing Services			
Medical and Surgical	\$ 1,091,352	\$ 2,756	\$ 1,094,108
Medical Supplies	17,301	100,788	118,089
Emergency Room	1,835	346,195	348,030
Home Health	1,205,674	607,268	1,812,942
Total Nursing Services	\$ 2,316,162	\$ 1,057,007	\$ 3,373,169
Other Professional Services			
Laboratory	\$ 200,607	\$ 417,428	\$ 618,035
Radiology	222,429	287,655	510,084
Pharmacy and I.V.'s	56,396	120,736	177,132
Inhalation Therapy	40,500	56,204	101,704
Clinic	246,566	441,474	688,040
Nursing Home	27,600	-	27,600
Total Professional Services	\$ 799,098	\$ 1,323,497	\$ 2,122,595
General Services			
Operation and Maintenance	\$ 66,695	\$ 107,848	\$ 174,543
Medical Records	123,262	1,740	125,002
Dietary	89,332	47,755	137,087
Housekeeping Laundry	110,762	58,907	169,669
Total General Services	\$ 390,051	\$ 216,250	\$ 606,301
Administrative Services			
Administration and Office	\$ 277,747	\$ 678,319	\$ 956,066
Employees Benefits	-	867,514	867,514
Interest	-	287,128	287,128
Insurance	-	273,325	273,325
Total Administrative Services	\$ 277,747	\$ 2,106,196	\$ 2,383,943

See accompanying accountant's report.

2011		
Salaries and Wages	Supplies and Other Expenses	Total
\$ 1,049,965	\$ 3,483	\$ 1,053,448
20,983	88,006	108,989
168	338,530	338,698
1,200,273	692,861	1,893,134
<u>\$ 2,271,389</u>	<u>\$ 1,122,880</u>	<u>\$ 3,394,269</u>
\$ 239,981	\$ 426,432	\$ 666,413
230,088	395,340	625,428
54,984	141,030	196,014
31,727	23,651	55,378
270,554	452,304	722,858
-	-	-
<u>\$ 827,334</u>	<u>\$ 1,438,757</u>	<u>\$ 2,266,091</u>
\$ 59,445	\$ 102,103	\$ 161,548
130,959	-	130,959
97,293	37,923	135,216
105,761	63,230	168,991
<u>\$ 393,458</u>	<u>\$ 203,256</u>	<u>\$ 596,714</u>
\$ 323,844	\$ 499,025	\$ 822,869
-	612,469	612,469
-	-	-
-	203,708	203,708
<u>\$ 323,844</u>	<u>\$ 1,315,202</u>	<u>\$ 1,639,046</u>

**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
Latimer County Hospital Authority
D/B/A Latimer County General Hospital
Wilburton, Oklahoma

We have audited the financial statements of Latimer County Hospital Authority, Wilburton County, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated September 12, 2012. As stated in our report, management has elected to not prepare a management discussion and analysis which is required under accounting principals generally accepted in the United States of America. 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 Latimer County Hospital Authority 's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Latimer County Hospital Authority '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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

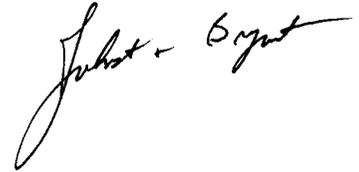
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Latimer County Hospital Authority's financial statements are free of material misstatements, 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.

The Board of Trustees
Latimer County Hospital Authority
D/B/A Latimer County General Hospital
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This report is intended solely for the information and use of management, others within the organization, board of trustees, and 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.

September 12, 2012

A handwritten signature in black ink, appearing to read "Jubert + Bryant".