

LEFLORE COUNTY HOSPITAL AUTHORITY

FINANCIAL STATEMENTS

June 30, 2013 and 2012

With Independent Auditors' Report Thereon

LEFLORE COUNTY HOSPITAL AUTHORITY

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Management's Discussion and Analysis LeFlore County Hospital Authority

Introduction

Our discussion and analysis of LeFlore County Hospital Authority's (the Authority) provides an overview of the Authority's financial activities for the year ended June 30, 2013. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Cash and investments decreased in 2013 by \$32,913 or .06%.
- Capital assets increased in 2013 by \$984,836 or 2.4%.
- Long-term debt decreased in 2013 by \$39,001 or 1.4%.
- The Authority's net position increased in 2013 by \$617,764 or 3.8%.
- The Authority reported an operating loss in 2013 of \$(902,915).

Using this Annual Report

The Authority's financial statements consist of three statements a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about 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 Position.

One of the most important questions asked about the Authority's finances "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 Position report information about the Authority's resources and its activities in a way that help answers 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 when cash is received or paid.

These two statements report the Authority's net position 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.

Management's Discussion and Analysis
LeFlore County Hospital Authority

Over time, increases or decreases in the Authority's net position is 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 the community, as well as local economic factors to assess the overall health of the Authority.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This 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.

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the Balance Sheet. The Authority's net position increased by \$617,764 or 3.8% for the year ended June 30, 2013 as shown in Table 1

Table 1: Assets, Liabilities and Net Position

	2013	2012
Assets		
Current Assets	\$ 9,150,410	\$ 8,198,110
Capital Assets, Net	11,722,183	11,903,861
Other Assets	167,062	167,062
Total Assets	\$ 21,039,655	\$ 20,269,033
Liabilities		
Long-term debt outstanding	\$ 2,753,765	\$ 2,794,421
Other current and noncurrent liabilities	1,509,374	1,315,860
Total Liabilities	\$ 4,263,139	\$ 4,110,281
Net Position		
Invested in capital assets, net of related debt	\$ 8,929,674	\$ 9,072,351
Unrestricted	7,846,842	7,086,401
Total Net Position	\$ 16,776,516	\$ 16,158,752
Total Liabilities and Net Position	\$ 21,039,655	\$ 20,269,033

Management's Discussion and Analysis
LeFlore County Hospital Authority

Operating Results and Changes in Net Position

For the year ended June 30, 2013, the Authority's net position increased by \$617,764 or 3.8% as shown in Table 2.

Table 2: Operating Results and Changes in Net Position

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Net patient service revenue	\$ 20,507,488	\$ 21,240,095
Other operating revenues	<u>461,228</u>	<u>457,745</u>
Total Operating Revenues	<u>20,968,716</u>	<u>21,697,840</u>
Operating Expenses		
Nursing services	6,188,688	5,409,920
Other professional services	7,342,409	7,820,243
General services	2,397,789	2,386,685
Administrative services	4,743,161	4,922,729
Depreciation	<u>1,199,584</u>	<u>1,156,543</u>
Total Operating Expenses	<u>21,871,631</u>	<u>21,696,120</u>
Operating Income	<u>(902,915)</u>	<u>1,720</u>
Nonoperating Revenues (Expenses)		
Investment income	19,358	21,013
Interest Expense	(125,495)	(129,633)
Electronic Medical Records Incentive Payments	<u>1,626,816</u>	<u>-</u>
Total Nonoperating revenues (expenses)	<u>1,520,679</u>	<u>(108,620)</u>
Change in Net Position	<u>\$ 617,764</u>	<u>\$ (106,900)</u>

Management's Discussion and Analysis
LeFlore County Hospital Authority

Operating Income

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

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with the changes in operating income and nonoperating revenues and expenses, discussed earlier. Cash flows used by operating activities increased during the year ended June 30, 2013 due to income from operations.

Capital Asset and Debt Administration

Capital Assets

At the end of 2013, the Authority had \$11,722,183 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements.

Debt

At June 30, 2013, the Authority had \$2,792,509 in notes payable outstanding.

Contacting the Authority's Financial Management

This financial report is designed to prove our patients, suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority administration by calling (918) 635-3300.

JOHNSTON & BRYANT

Certified Public Accountants

Pete Johnston, C.P.A.
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American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
LeFlore County Hospital Authority
Poteau, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of LeFlore County Hospital Authority, which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

LeFlore County Hospital Authority
Board of Trustees
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LeFlore County Hospital Authority as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013 on our consideration of LeFlore County Hospital Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LeFlore County Hospital Authority's internal control over financial reporting and compliance.

Ada, Oklahoma
September 18, 2013



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LEFLORE COUNTY HOSPITAL AUTHORITY

Balance Sheet
June 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and Cash Equivalents	\$ 3,748,279	\$ 3,790,700
Certificate of Deposit	1,306,544	1,297,036
Accounts Receivable		
Patients Net	3,045,784	2,161,068
Other	34,140	20,202
Amounts Due Under Cost Contracts	-	170,197
Inventories	815,354	595,938
Prepaid Expenses	200,309	162,969
Total Current Assets	<u>9,150,410</u>	<u>8,198,110</u>
Assets Whose Use Is Limited by Board for Capital Improvements		
Under Indenture Agreement - Held By Trustee	167,062	167,062
Total Assets Whose Use Is Limited	<u>167,062</u>	<u>167,062</u>
Capital Assets		
Property, Plant and Equipment	41,586,173	40,601,337
Less Accumulated Depreciation	<u>(29,863,990)</u>	<u>(28,697,476)</u>
Total Capital Assets-Net	<u>11,722,183</u>	<u>11,903,861</u>
 Total Assets	 <u>\$ 21,039,655</u>	 <u>\$ 20,269,033</u>

See accompanying notes to the financial statements

<u>LIABILITIES AND NET POSITION</u>	<u>2013</u>	<u>2012</u>
Current Liabilities		
Current Portion of Long-Term Debt	\$ 38,744	\$ 37,089
Accounts Payable	366,308	195,786
Amounts Payable Under Cost Contracts	74,000	-
Accrued Expenses	<u>1,030,322</u>	<u>1,082,985</u>
Total Current Liabilities	<u>1,509,374</u>	<u>1,315,860</u>
Long-Term Debt, Net	<u>2,753,765</u>	<u>2,794,421</u>
Total Liabilities	<u>4,263,139</u>	<u>4,110,281</u>
Net Position		
Invested in Capital Assets - Net of Related Debt	8,929,674	9,072,351
Unrestricted	<u>7,846,842</u>	<u>7,086,401</u>
Total Net Position	<u>16,776,516</u>	<u>16,158,752</u>
Total Liabilities and Net Position	<u>\$ 21,039,655</u>	<u>\$ 20,269,033</u>

LEFLORE COUNTY HOSPITAL AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Net Patient Service Revenues	\$ 20,507,488	\$ 21,240,095
Other Operating Revenue	461,228	457,745
Total Operating Revenue	<u>20,968,716</u>	<u>21,697,840</u>
Expenses		
Nursing Services	6,188,688	5,409,920
Other Professional Services	7,342,409	7,820,243
General Services	2,397,789	2,386,685
Administrative Services	4,743,161	4,922,729
Provision for Depreciation	1,199,584	1,156,543
Total Expenses	<u>21,871,631</u>	<u>21,696,120</u>
Net Income (Loss) from Operations	(902,915)	1,720
Non-Operating Revenue		
Interest Income	19,358	21,013
Interest Expense	(125,495)	(129,633)
Electronic Medical Records Incentive Payments	1,626,816	-
	<u>1,520,679</u>	<u>(108,620)</u>
Change in Net Position	617,764	(106,900)
Net Position - Beginning	<u>16,158,752</u>	<u>16,265,652</u>
Net Position - Ending	<u>\$ 16,776,516</u>	<u>\$ 16,158,752</u>

See accompanying notes to the financial statements

LEFLORE COUNTY HOSPITAL AUTHORITY
Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activity		
Patient Service Revenue	\$ 19,853,031	\$ 21,644,953
Other Revenue	461,228	457,745
Payments to Employees	(10,429,971)	(9,902,103)
Payments to Vendors and Suppliers	(10,380,973)	(10,508,293)
Net Cash Used in Operating Activity	(496,685)	1,692,302
Non-Capital Related Financing Activity		
EMR Incentive Payments	1,626,816	-
Net Cash Flow from Non-Capital Related Financing Activities	1,626,816	-
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(1,017,906)	(1,351,209)
Transfers (to) From assets whose use is limited	-	-
Principal Payments	(39,001)	(35,113)
Interest Payments	(125,495)	(129,633)
Net Cash Flows from Capital and Related Financing Activities	(1,182,402)	(1,515,955)
Investing Activities		
Income from Investments	19,358	21,013
Net Cash Flow from Investing Activities	19,358	21,013
Increase (Decrease) in Cash	(32,913)	197,360
Cash - Beginning	5,087,736	4,890,376
Cash - Ending	\$ 5,054,823	\$ 5,087,736

See accompanying notes to the financial statements.

LEFLORE COUNTY HOSPITAL AUTHORITY
Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Net (Loss) Income from Operations	\$ (902,915)	\$ 1,720
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,199,584	1,156,543
Changes in Operating Assets and Liabilities		
Accounts Receivable	(728,457)	404,858
Other Assets	-	-
Prepays	(37,340)	40,593
Inventory	(219,416)	2,120
Accounts Payable	191,859	86,468
Net Cash Provided by Operations	\$ 496,685	\$ 1,692,302

See accompanying notes to the financial statements.

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 1. Organization

The LeFlore County Hospital Authority (the Authority) is a public trust created June 30, 1976 pursuant to Title 60 Oklahoma Statutes, Sections 176 to 180 as amended. The purpose of the trust is to provide the citizens of Leflore County and surrounding area with high quality public healthcare.

The Eastern Oklahoma Medical Center is owned by Leflore County, Oklahoma, however, under terms of as lease agreement dated June 30, 1976 operations of the facility were leased to the LeFlore County Hospital Authority for an initial term of fifty years. There is no consideration required under terms of this lease.

Note 2. Significant Accounting Policies

Accounting Standards – Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Report 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 and 37, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments and GASB Statement No. 38 Certain Financial Statement Note Disclosures. Under GASB Statement No. 34, the Authority is required to present a balance sheet classified between current and Noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and nonoperating revenues and expenses and a statement of cash flows using the direct methods.

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

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 2. Significant Accounting Policies (continued)

Cash equivalents – Investments that have an original maturity of three months or less are considered to be cash equivalents

Allowance for uncollectible accounts

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 allowances that reflects management's best estimate of amounts that will not be collected from patient 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.

Inventories

Inventories are valued at a lower cost (first-in, first-out method) or market.

Capital Assets

Capital assets 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 the related assets. The ranges of such useful lives are as follows:

Land improvements	10 years
Building	20-40 years
Equipment	3-20 years

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 2. Significant Accounting Policies (continued)

Net Position

Net position in the Authority are classified in two components.

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

Unrestricted Net Position – Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt.

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.

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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net assets distinguishes between operation 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.

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 2. Significant Accounting Policies (continued)

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; 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 two preceding years. The provision, if any, for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Grants and Contributions

From time to time, the Authority receives grants from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met, grants and contributions may be restricted for either specific operation purposes or for capital purposes. Amounts that are restricted or that are restricted to a specific operation purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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.

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.

LEFLORE COUNTY HOSPITAL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 3. Cash and Deposits

State statutes require public trusts to invest only in collateralized or insured certificates of deposit and other evidences of deposit. It is the Authority's practice to mainly invest in demand and time deposit accounts and certificates of deposit. The following summarizes the cash deposits as of June 30, 2013:

At June 30, 2013 and 2012, bank balances were as follows:

	2013	2012
Insured (FDIC)	\$ 750,000	\$ 750,528
Collateralized by securities held by the pledging financial institution's trust department in the Authority's name	4,630,795	4,399,670
Uninsured, uncollateralized or collateralized by securities held its trust department or agent or in other than the Authority's name	-	343,560
Total	\$ 5,380,795	\$ 5,493,758
Carrying Value	\$ 5,221,885	\$ 5,254,798

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Authority holds deposits that are uninsured and un collateralized; uncollateralized 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 exist when the authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but 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, 2013 and 2012 the carrying amount of the Authority's deposits was \$5,221,885 and \$5,254,798 and the bank balance was \$5,380,795 and \$5,443,758 respectively. As of June 30, 2013 and 2012 the Authority was exposed to custodial credit risk, in the amount of \$0 and \$343,560 respectively.

Note 4. Accounts Receivable – Patients

Patient accounts receivable at June 30, 2013 and 2012 consists of the following:

	2013	2012
Patient Accounts	\$ 8,749,507	\$ 7,686,469
Less: Contractual Adjustments	(2,828,897)	(2,769,608)
Less: Allowance For Uncollectible Accounts	(2,874,826)	(2,755,793)
	\$ 3,045,784	\$ 2,161,068

LEFLORE COUNTY HOSPITAL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 5. Capital Assets

Capital asset activity for the years ended June 30, 2013 and June 30, 2012 was as follows:

		2013				
		Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$	466,203	\$ 3,040	\$ -	\$ -	\$ 469,243
Land Improvements		101,697	-	-	-	101,697
Building		21,119,718	-	-	-	21,119,718
Building Improvements		1,943,410	562,417	722,873	-	3,228,700
Equipments		15,909,674	447,688	-	(34,897)	16,322,465
Work In Progress		1,060,635	6,588	(722,873)	-	344,350
Total Capital Assets		<u>40,601,337</u>	<u>1,019,733</u>	<u>-</u>	<u>(34,897)</u>	<u>41,586,173</u>
Less Accumulated Depreciation						
Land Improvements		101,697	-	-	-	101,697
Building		14,469,916	488,029	-	-	14,957,945
Building Improvements		452,476	132,754	-	-	585,230
Equipment		13,673,387	578,435	-	(32,704)	14,219,118
		<u>28,697,476</u>	<u>1,199,218</u>	<u>-</u>	<u>(32,704)</u>	<u>29,863,990</u>
Capital Assets - Net	\$	<u>11,903,861</u>	<u>\$ (179,485)</u>	<u>\$ -</u>	<u>\$ (2,193)</u>	<u>\$ 11,722,183</u>
		2012				
		Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$	471,751	\$ -	\$ -	\$ (5,548)	\$ 466,203
Land Improvements		101,697	-	-	-	101,697
Building		21,119,718	-	-	-	21,119,718
Building Improvements		1,891,720	51,690	-	-	1,943,410
Equipments		15,678,848	580,753	-	(349,927)	15,909,674
Work In Progress		334,207	726,428	-	-	1,060,635
Total Capital Assets		<u>39,597,941</u>	<u>1,358,871</u>	<u>-</u>	<u>(355,475)</u>	<u>40,601,337</u>
Less Accumulated Depreciation						
Land Improvements		101,697	-	-	-	101,697
Building		13,955,963	513,953	-	-	14,469,916
Building Improvements		363,153	89,323	-	-	452,476
Equipment		13,467,933	551,530	-	(346,076)	13,673,387
		<u>27,888,746</u>	<u>1,154,806</u>	<u>-</u>	<u>(346,076)</u>	<u>28,697,476</u>
Capital Assets - Net	\$	<u>11,709,195</u>	<u>\$ 204,065</u>	<u>\$ -</u>	<u>\$ (9,399)</u>	<u>\$ 11,903,861</u>

LEFLORE COUNTY HOSPITAL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 6. Long-Term Debt

A Summary of long-term debt, including capital lease obligations as of June 30, 2013 and 2012 are as follows:

	Interest Rate	Maturity Date	2013				
			Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Notes Payable USDA	4.380%	06/01/46	\$ 2,831,510	\$ -	\$ 39,001	\$ 2,792,509	\$ 38,744
			<u>\$ 2,831,510</u>	<u>\$ -</u>	<u>\$ 39,001</u>	<u>\$ 2,792,509</u>	<u>\$ 38,744</u>
			2012				
	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Notes Payable USDA	4.380%	06/01/46	\$ 2,866,623	\$ -	\$ 35,113	\$ 2,831,510	\$ 37,089
			<u>\$ 2,866,623</u>	<u>\$ -</u>	<u>\$ 35,113</u>	<u>\$ 2,831,510</u>	<u>\$ 37,089</u>

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

Year Ending June 30:	Bonds and Notes Payable	
	Principal	Interest
2014	\$ 38,744	\$ 121,816
2015	40,474	120,086
2016	42,281	118,279
2017	44,168	116,392
2018	46,139	114,421
2019 and thereafter	<u>2,580,703</u>	<u>1,907,907</u>
Total	<u>\$ 2,792,509</u>	<u>\$ 2,498,901</u>

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 7. 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:

Under Prospective Payment System services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Authority is reimbursed for these services as 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 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 and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per-diem rate or established fee.

Other carriers: The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider 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.

Note 8. Tax Sheltered Annuity

The Authority has established a tax sheltered annuity for all employees who wish to participate. Employees may set aside a portion of their salary exempt from taxes, until time of withdrawal. The Authority will match the employee's contributions to the TSA according to benefit schedules as listed in the Authority's Human Resource Manual.

Note 9. Future Lease Commitments

The Authority leases various equipment and facilities under operating leases expiring at various dates. Total rental expenses for the years ended June 30, 2013 and 2012, for all operating leases were approximately \$418,416 and \$489,286 respectively.

LEFLORE COUNTY HOSPITAL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 10. Net Patient Service Revenue

Net Patient Service Revenue for the years ended June 30, 2013 and 2012 is computed as follows:

	2013	2012
Gross Patient Service Revenue	\$ 53,897,692	\$ 55,729,293
Less:		
Contractual Adjustment-Medicare	14,470,262	14,893,233
Contractual Adjustment-Medicaid	4,601,806	5,904,738
Provision for bad debts	8,833,854	8,643,844
Other Discounts and Allowances	5,484,282	5,047,383
	33,390,204	34,489,198
Net Patient Service Revenue	\$ 20,507,488	\$ 21,240,095

Note 11. Subsequent Events

Subsequent events have been evaluated through September 18, 2013, which is the date the financial statements were available to be issued.

LEFLORE COUNTY HOSPITAL AUTHORITY

Patient Service Revenue

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Daily Patient Service		
Medical and Surgical	\$ 1,608,412	\$ 2,249,068
Intensive Care	900,396	1,175,580
Newborn Nursery	179,138	183,943
Total Daily Patient Service	<u>2,687,946</u>	<u>3,608,591</u>
Other Nursing Services		
Operating and Recovery Room	1,974,908	2,657,709
Delivery Room	347,704	344,838
Central Services and Supply	1,900,826	2,263,435
Behavioral Health	1,575,900	-
Emergency Services	7,014,187	6,169,588
Total Other Nursing Units	<u>12,813,525</u>	<u>11,435,570</u>
Other Professional Services		
Laboratory	12,051,910	12,567,236
Electrocardiology	424,875	449,629
Radiology	11,178,765	11,217,934
Pharmacy	5,684,311	6,384,226
Anesthesiology	821,317	1,040,722
Respiratory Therapy	2,120,944	2,402,794
Physical Therapy	529,901	579,761
Speech Therapy	3,754	7,508
Clinics	5,185,569	5,660,491
Home Health Agency	394,875	374,831
Total Other Professional Services	<u>38,396,221</u>	<u>40,685,132</u>
Total Patient Service Revenue	<u>53,897,692</u>	<u>55,729,293</u>
Less Contractual Adjustments		
Medicare	14,470,262	14,893,233
Medicaid	4,601,806	5,904,738
Provision for Bad Debt	8,833,854	8,643,844
Discounts and Other Allowances	5,484,282	5,047,383
Total Reductions from Revenue	<u>33,390,204</u>	<u>34,489,198</u>
Net Patient Service Revenue	<u>\$ 20,507,488</u>	<u>\$ 21,240,095</u>

LEFLORE COUNTY HOSPITAL AUTHORITY
Other Operating Revenue
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cafeteria	\$ 155,055	\$ 158,380
Purchase Discounts	7,039	4,380
Medical Records Fees	8,103	9,494
Clinic Rental	165,987	116,352
Miscellaneous	<u>125,044</u>	<u>169,139</u>
Total Other Operating Revenue	<u>\$ 461,228</u>	<u>\$ 457,745</u>

LEFLORE COUNTY HOSPITAL AUTHORITY

Patient Service Expense

Years Ended June 30, 2013 and 2012

	2013		
	Salaries	Other	Total
Nursing Services			
Medical and Surgical	\$ 1,715,462	\$ 157,050	\$ 1,872,512
Intensive Care	574,387	79,423	653,810
Newborn Nursery	78,367	31,876	110,243
Operating and Recovery Room	260,224	129,467	389,691
Labor and Delivery Room	410,318	44,466	454,784
Central Services and Supply	15,093	57,993	73,086
Emergency Services	677,242	559,759	1,237,001
Behavioral Services	524,437	395,170	919,607
Home Health	369,251	108,703	477,954
Total Nursing Services	\$ 4,624,781	\$ 1,563,907	\$ 6,188,688
Other Professional Services			
Laboratory	\$ 477,416	\$ 684,589	\$ 1,162,005
Radiology	515,251	455,172	970,423
Pharmacy	-	1,031,771	1,031,771
Anesthesiology	-	128,665	128,665
Respiratory Therapy	265,291	70,581	335,872
Physical Therapy	163,364	15,153	178,517
Clinics	2,145,823	1,389,333	3,535,156
Total Other Professional Services	\$ 3,567,145	\$ 3,775,264	\$ 7,342,409
General Services			
Dietary	217,116	359,393	576,509
Medical Records	253,751	100,024	353,775
Plant Engineering	370,797	656,730	1,027,527
Housekeeping	276,719	66,059	342,778
Laundry and Linen	59,735	37,465	97,200
Total General Services	\$ 1,178,118	\$ 1,219,671	\$ 2,397,789
Administrative Services			
Administration and Business Offices	1,007,264	1,756,779	2,764,043
Employee Benefits	-	1,979,118	1,979,118
Total Administrative Services	\$ 1,007,264	\$ 3,735,897	\$ 4,743,161

2012

<u>Salaries</u>	<u>Other</u>	<u>Total</u>
\$ 1,782,945	\$ 166,446	\$ 1,949,391
606,288	87,301	693,589
77,503	29,077	106,580
288,230	368,036	656,266
334,980	53,401	388,381
16,770	22,049	38,819
642,401	563,322	1,205,723
2,913	8,712	11,625
281,857	77,689	359,546
<u>\$ 4,033,887</u>	<u>\$ 1,376,033</u>	<u>\$ 5,409,920</u>
\$ 457,720	\$ 647,548	\$ 1,105,268
513,490	526,013	1,039,503
-	1,125,551	1,125,551
-	128,874	128,874
263,913	67,173	331,086
155,238	16,194	171,432
2,358,717	1,559,812	3,918,529
<u>\$ 3,749,078</u>	<u>\$ 4,071,165</u>	<u>\$ 7,820,243</u>
206,099	356,297	562,396
259,755	101,835	361,590
332,237	706,559	1,038,796
259,556	59,399	318,955
47,200	57,748	104,948
<u>\$ 1,104,847</u>	<u>\$ 1,281,838</u>	<u>\$ 2,386,685</u>
1,155,349	1,613,367	2,768,716
-	2,154,013	2,154,013
<u>\$ 1,155,349</u>	<u>\$ 3,767,380</u>	<u>\$ 4,922,729</u>

**INDEPENDENT AUDITORS' 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**

Board of Trustees
Leflore County Hospital Authority
Poteau, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Leflore County Hospital Authority, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control over Financial Reporting

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

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

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

The Board of Trustees
LeFlore County Hospital Authority
Poteau, Oklahoma
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Compliance and Other Matters

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

Purpose of this Report

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

Ada, Oklahoma
September 18, 2013

