

LEFLORE COUNTY HOSPITAL AUTHORITY

FINANCIAL STATEMENTS

June 30, 2012 and 2011

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, 2012. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Cash and investments increased in 2012 by \$197,360 or 4.0%.
- Capital assets increased in 2012 by \$1,003,396 or 2.5%.
- Long-term debt decreased in 2012 by \$35,113 or 1.2%.
- The Authority's net assets decreased in 2012 by \$106,900 or 0.6%.
- The Authority reported an operating profit in 2012 of \$1,720.

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 assets; 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 Assets.

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 Assets 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 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.

Management's Discussion and Analysis
LeFlore County Hospital Authority

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 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 Assets

The Authority's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Authority's net assets decreased by \$106,900 or 0.66% for the year ended June 30, 2012 as shown in Table 1

Table 1: Assets, Liabilities and Net Assets

	2012	2011
Assets		
Current Assets	\$ 8,198,110	\$ 8,448,321
Capital Assets, Net	11,903,861	11,709,195
Other Assets	167,062	167,062
Total Assets	\$ 20,269,033	\$ 20,324,578
Liabilities		
Long-term debt outstanding	\$ 2,794,421	\$ 2,831,119
Other current and noncurrent liabilities	1,315,860	1,227,807
Total Liabilities	\$ 4,110,281	\$ 4,058,926
Net Assets		
Invested in capital assets, net of related debt	\$ 9,072,351	\$ 8,842,572
Unrestricted	7,086,401	7,423,080
Total Net Assets	\$ 16,158,752	\$ 16,265,652
Total Liabilities and Net Assets	\$ 20,269,033	\$ 20,324,578

Management's Discussion and Analysis
LeFlore County Hospital Authority

Operating Results and Changes in Net Assets

For the year ended June 30, 2012, the Authority's net assets increased by \$106,900 or 0.66% as shown in Table 2.

Table 2: Operating Results and Changes in Net Assets

	2012	2011
Operating Revenues		
Net patient service revenue	\$ 21,240,095	\$ 20,312,134
Other operating revenues	457,745	384,119
Total Operating Revenues	21,697,840	20,696,253
Operating Expenses		
Nursing services	5,409,920	5,656,528
Other professional services	7,820,243	8,434,375
General services	2,386,685	2,319,889
Administrative services	4,922,729	3,578,034
Depreciation	1,156,543	1,155,590
Total Operating Expenses	21,696,120	21,144,416
Operating Income	1,720	(448,163)
Nonoperating Revenues (Expenses)		
Investment income	21,013	16,647
Interest Expense	(129,633)	(132,375)
Electronic Medical Records Incentive Payments	-	2,037,543
Total Nonoperating revenues (expenses)	(108,620)	1,921,815
Change in Net Assets	\$ (106,900)	\$ 1,473,652

Management's Discussion and Analysis LeFlore County Hospital Authority

Operating Income

The first component of the overall change in the Authority's net assets 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, 2012 due to income from operations.

Capital Asset and Debt Administration

Capital Assets

At the end of 2012, the Authority had \$11,903,861 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements.

Debt

At June 30, 2012, the Authority had \$2,831,510 in notes and capital lease obligations 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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Ada, Oklahoma 74821-1564
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MEMBER
American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
LeFlore County Hospital Authority
Poteau, Oklahoma

We have audited the accompanying balance sheets of LeFlore County Hospital Authority as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority'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 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.

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, 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.

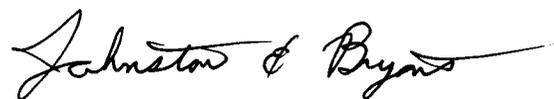
LeFlore County Hospital Authority
Board of Trustees
Page Two

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on page 1 through 4, is not a required part of the basic financial statements, but is supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of net patient service revenue, other operating revenue and operating expenses on pages 20 through 22 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.

September 26, 2012

A handwritten signature in black ink, appearing to read "Johnston & Byrnes", with a long horizontal flourish extending to the right.

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LEFLORE COUNTY HOSPITAL AUTHORITY

Balance Sheet
June 30, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 3,790,700	\$ 4,171,189
Certificate of Deposit	1,297,036	719,187
Accounts Receivable		
Patients Net	2,161,068	2,723,536
Other	20,202	2,789
Amounts Due Under Cost Contracts	170,197	30,000
Inventories	595,938	598,058
Prepaid Expenses	162,969	203,562
Total Current Assets	8,198,110	8,448,321
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	167,062	167,062
Capital Assets		
Property, Plant and Equipment	40,601,337	39,597,941
Less Accumulated Depreciation	(28,697,476)	(27,888,746)
Total Capital Assets-Net	11,903,861	11,709,195
Total Assets	\$ 20,269,033	\$ 20,324,578

See accompanying notes to the financial statements

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 37,089	\$ 35,504
Accounts Payable	195,786	250,376
Accrued Expenses	1,082,985	941,927
Total Current Liabilities	<u>1,315,860</u>	<u>1,227,807</u>
Long-Term Debt, Net	<u>2,794,421</u>	<u>2,831,119</u>
Net Assets		
Invested in Capital Assets - Net of Related Debt	9,072,351	8,842,572
Unrestricted	7,086,401	7,423,080
Total Net Assets	<u>16,158,752</u>	<u>16,265,652</u>
Total Liabilities and Net Assets	<u>\$ 20,269,033</u>	<u>\$ 20,324,578</u>

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

	2012	2011
Revenues		
Net Patient Service Revenues	\$ 21,240,095	\$ 20,312,134
Other Operating Revenue	457,745	384,119
Total Operating Revenue	21,697,840	20,696,253
Expenses		
Nursing Services	5,409,920	5,656,528
Other Professional Services	7,820,243	8,434,375
General Services	2,386,685	2,319,889
Administrative Services	4,922,729	3,578,034
Provision for Depreciation	1,156,543	1,155,590
Total Expenses	21,696,120	21,144,416
Net Income (Loss) from Operations	1,720	(448,163)
Non-Operating Revenue		
Interest Income	21,013	16,647
Interest Expense	(129,633)	(132,375)
Electronic Medical Records Incentive Payments	-	2,037,543
	(108,620)	1,921,815
Change in Net Assets	(106,900)	1,473,652
Net Assets - Beginning	16,265,652	14,792,000
Net Assets - Ending	\$ 16,158,752	\$ 16,265,652

See accompanying notes to the financial statements

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

	2012	2011
Cash Flows from Operating Activity		
Patient Service Revenue	\$ 21,644,953	\$ 20,472,717
Other Revenue	457,745	384,119
Income from Investments	21,013	16,647
Payments to Employees	(9,902,103)	(10,107,481)
Payments to Vendors and Suppliers	(10,508,293)	(9,970,462)
Net Cash Used in Operating Activity	1,713,315	795,540
 Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(1,351,209)	(640,831)
Electronic Medical Records Incentive Payments	-	2,037,543
Transfers (to) From assets whose use is limited	-	1,000
Advances on Loans	-	-
Principal Payments	(35,113)	(33,613)
Interest Payments	(129,633)	(132,375)
Net Cash Flows from Capital and Related Financing Activities	(1,515,955)	1,231,724
 Increase (Decrease) in Cash	197,360	2,027,264
 Cash - Beginning	4,890,376	2,863,112
 Cash - Ending	\$ 5,087,736	\$ 4,890,376

See accompanying notes to the financial statements.

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

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Net (Loss) Income from Operations	\$ 1,720	\$ (448,163)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,156,543	1,155,590
Interest Income	21,013	16,647
Changes in Operating Assets and Liabilities		
Accounts Receivable	404,858	160,583
Other Assets	-	-
Prepays	40,593	94,736
Inventory	2,120	(147,667)
Accounts Payable	<u>86,468</u>	<u>(36,186)</u>
Net Cash Provided by Operations	<u>\$ 1,713,315</u>	<u>\$ 795,540</u>

See accompanying notes to the financial statements.

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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 a 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, 2012 and 2011

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, 2012 and 2011

Note 2. Significant Accounting Policies (continued)

Net Assets

Net assets 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 Assets – 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, 2012 and 2011

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, 2012 and 2011

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, 2012:

At June 30, 2012 and 2011, bank balances were as follows:

	2012	2011
Insured (FDIC)	\$ 750,528	\$ 751,434
Collateralized by securities held by the pledging financial institution's trust department in the Authority's name	4,399,670	4,463,787
Uninsured, uncollateralized or collateralized by securities held its trust department or agent or in other than the Authority's name	343,560	-
Total	\$ 5,493,758	\$ 5,215,221
Carrying Value	\$ 5,254,798	\$ 5,057,438

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, 2012 and 2011 the carrying amount of the Authority's deposits was \$5,254,748 and \$5,057,438 and the bank balance was \$5,493,758 and \$5,215,221 respectively. As of June 30, 2012 and 2011 the Authority was exposed to custodial credit risk, in the amount of \$343,560 and \$0 respectively.

Note 4. Accounts Receivable – Patients

Patient accounts receivable at June 30, 2012 and 2011 consists of the following:

	2012	2011
Patient Accounts	\$ 7,686,469	\$ 8,976,961
Less: Contractual Adjustments	2,769,608	2,800,243
Less: Allowance For Uncollectible Accounts	2,755,793	3,453,182
	\$ 2,161,068	\$ 2,723,536

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

Note 6. Long-Term Debt

A Summary of long-term debt, including capital lease obligations as of June 30, 2012 and 2011 are as follows:

		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>
		2011					
Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Notes Payable USDA	4.380%	06/01/46	\$ 2,900,236	\$ -	\$ 33,613	\$ 2,866,623	\$ 35,504
			<u>\$ 2,900,236</u>	<u>\$ -</u>	<u>\$ 33,613</u>	<u>\$ 2,866,623</u>	<u>\$ 35,504</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
2013	\$ 37,089	\$ 123,471
2014	38,744	121,816
2015	40,474	120,086
2016	42,281	118,279
2017	44,168	116,392
2018 and thereafter	<u>2,628,754</u>	<u>2,022,328</u>
Total	<u>\$ 2,831,510</u>	<u>\$ 2,622,372</u>

LEFLORE COUNTY HOSPITAL AUTHORITY

Notes to Financial Statements

June 30, 2012 and 2011

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 patents 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, 2012 and 2011, for all operating leases were approximately \$489,286 and \$594,748 respectively.

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

Note 10. Net Patient Service Revenue

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

	2012	2011
Gross Patient Service Revenue	\$ 55,729,293	\$ 57,773,160
Less:		
Contractual Adjustment-Medicare	14,893,233	14,551,985
Contractual Adjustment-Medicaid	5,904,738	7,689,842
Provision for bad debts	8,643,844	10,364,055
Other Discounts and Allowances	5,047,383	4,855,144
	34,489,198	37,461,026
Net Patient Service Revenue	\$ 21,240,095	\$ 20,312,134

LEFLORE COUNTY HOSPITAL AUTHORITY
 Patient Service Revenue
 Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Daily Patient Service		
Medical and Surgical	\$ 2,249,068	\$ 2,357,678
Intensive Care	1,175,580	1,210,356
Newborn Nursery	183,943	205,342
Total Daily Patient Service	<u>3,608,591</u>	<u>3,773,376</u>
Other Nursing Services		
Operating and Recovery Room	2,657,709	3,079,468
Delivery Room	344,838	404,728
Central Services and Supply	2,263,435	2,848,591
Emergency Services	6,169,588	5,626,287
Total Other Nursing Units	<u>11,435,570</u>	<u>11,959,074</u>
Other Professional Services		
Laboratory	12,567,236	12,526,549
Electrocardiology	449,629	500,310
Radiology	11,217,934	11,453,144
Pharmacy	6,384,226	6,168,830
Anesthesiology	1,040,722	1,256,732
Respiratory Therapy	2,402,794	2,472,936
Physical Therapy	579,761	581,676
Speech Therapy	7,508	10,428
Clinics	5,660,491	6,639,970
Home Health Agency	374,831	430,135
Total Other Professional Services	<u>40,685,132</u>	<u>42,040,710</u>
Total Patient Service Revenue	<u>55,729,293</u>	<u>57,773,160</u>
Less Contractual Adjustments		
Medicare	14,893,233	14,551,985
Medicaid	5,904,738	7,689,842
Provision for Bad Debt	8,643,844	10,364,055
Discounts and Other Allowances	5,047,383	4,855,144
Total Reductions from Revenue	<u>34,489,198</u>	<u>37,461,026</u>
Net Patient Service Revenue	<u>\$ 21,240,095</u>	<u>\$ 20,312,134</u>

LEFLORE COUNTY HOSPITAL AUTHORITY
Other Operating Revenue
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cafeteria	\$ 158,380	\$ 155,057
Purchase Discounts	4,380	6,637
Medical Records Fees	9,494	8,335
Clinic Rental	116,352	110,825
Miscellaneous	<u>169,139</u>	<u>103,265</u>
 Total Other Operating Revenue	 <u><u>\$ 457,745</u></u>	 <u><u>\$ 384,119</u></u>

LEFLORE COUNTY HOSPITAL AUTHORITY
Patient Service Expense
Years Ended June 30, 2012 and 2011

	2012		
	Salaries	Other	Total
Nursing Services			
Medical and Surgical	\$ 1,782,945	\$ 166,446	\$ 1,949,391
Intensive Care	606,288	87,301	693,589
Newborn Nursery	77,503	29,077	106,580
Operating and Recovery Room	288,230	368,036	656,266
Labor and Delivery Room	334,980	53,401	388,381
Central Services and Supply	16,770	22,049	38,819
Emergency Services	642,401	563,322	1,205,723
Behavioral Services	2,913	8,712	11,625
Home Health	281,857	77,689	359,546
Total Nursing Services	\$ 4,033,887	\$ 1,376,033	\$ 5,409,920
Other Professional Services			
Laboratory	\$ 457,720	\$ 647,548	\$ 1,105,268
Radiology	513,490	526,013	1,039,503
Pharmacy	-	1,125,551	1,125,551
Anesthesiology	-	128,874	128,874
Respiratory Therapy	263,913	67,173	331,086
Physical Therapy	155,238	16,194	171,432
Clinics	2,358,717	1,559,812	3,918,529
Total Other Professional Services	\$ 3,749,078	\$ 4,071,165	\$ 7,820,243
General Services			
Dietary	206,099	356,297	562,396
Medical Records	259,755	101,835	361,590
Plant Engineering	332,237	706,559	1,038,796
Housekeeping	259,556	59,399	318,955
Laundry and Linen	47,200	57,748	104,948
Total General Services	\$ 1,104,847	\$ 1,281,838	\$ 2,386,685
Administrative Services			
Administration and Business Offices	1,155,349	1,613,367	2,768,716
Employee Benefits	-	2,154,013	2,154,013
Total Administrative Services	\$ 1,155,349	\$ 3,767,380	\$ 4,922,729

2011

Other	Total	Salaries
\$ 1,774,711	\$ 194,663	\$ 1,969,374
564,909	83,017	647,926
91,067	32,364	123,431
302,135	527,378	829,513
384,941	56,699	441,640
16,420	53,848	70,268
638,329	563,992	1,202,321
-	-	-
289,405	82,650	372,055
<u>\$ 4,061,917</u>	<u>\$ 1,594,611</u>	<u>\$ 5,656,528</u>
\$ 456,036	\$ 649,112	\$ 1,105,148
494,394	678,188	1,172,582
-	1,272,281	1,272,281
-	127,327	127,327
248,283	59,663	307,946
155,642	22,144	177,786
2,667,216	1,604,089	4,271,305
<u>\$ 4,021,571</u>	<u>\$ 4,412,804</u>	<u>\$ 8,434,375</u>
205,922	330,580	536,502
265,348	71,967	337,315
357,760	703,088	1,060,848
239,530	53,863	293,393
57,816	34,015	91,831
<u>\$ 1,126,376</u>	<u>\$ 1,193,513</u>	<u>\$ 2,319,889</u>
1,117,130	670,415	1,787,545
-	1,790,489	1,790,489
<u>\$ 1,117,130</u>	<u>\$ 2,460,904</u>	<u>\$ 3,578,034</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
LeFlore County Hospital Authority
Poteau, Oklahoma

We have audited the financial statements of LeFlore County Hospital Authority as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 26, 2012. 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 LeFlore 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 LeFlore 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 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, as defined above.

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 LeFlore County 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, noncompliances 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.

This report is intended solely for the information and use of management, board of trustees, others within the entity, 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 26, 2012

A handwritten signature in black ink, appearing to read "John F. Byers", with a horizontal line extending to the right from the end of the signature.