

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Financial Statements
June 30, 2011 and 2010

With Independent Auditors' Report Thereon

LOVE COUNTY HEALTH CENTER dba MERCY HEALTH LOVE COUNTY

JUNE 30, 2011 AND 2010

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JOHNSTON & BRYANT

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

Independent Auditors' Report

The Board of Trustees
Love County Health Center dba
Mercy Health Love County
Marietta, Oklahoma

We have audited the accompanying balance sheets of Love County Health Center dba Mercy Health Love County, as of June 30, 2011 and 2010, 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 Hospital'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

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

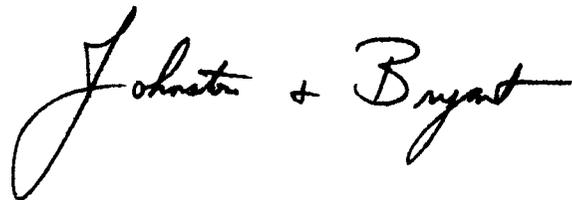
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Love County Health Center dba Mercy Health Love County, as of June 30, 2011 and 2010 and the results of its operation and changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Board of Control
Love County Health Center dba
Mercy Health Love County
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In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2011, on our consideration of Love County Health Center dba Mercy Health Love County'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.

September 26, 2011

A handwritten signature in cursive script that reads "Johnston + Bryant". The signature is written in black ink and is positioned to the right of the date.

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**

Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash on Hand and in Banks, including Time Deposits	\$ 1,653,883	\$ 1,701,990
Accounts Receivable - Patients, Less Allowances	2,047,821	1,433,214
Other Receivables	136,754	50,500
Inventories	154,698	147,030
Prepaid Expenses	94,695	66,390
Due Under Cost Contracts	<u>-</u>	<u>-</u>
Total Current Assets	<u>4,087,851</u>	<u>3,399,124</u>
Property, Plant and Equipment	6,323,615	4,781,268
Less Accumulated Depreciation	<u>(3,536,692)</u>	<u>(3,063,793)</u>
Net Property, Plant and Equipment	<u>2,786,923</u>	<u>1,717,475</u>
Total Assets	<u>\$ 6,874,774</u>	<u>\$ 5,116,599</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 285,875	\$ 7,518
Due Under Cost Contracts	350,000	-
Accrued Payroll	344,572	313,627
Accrued PTO	499,884	446,146
Current Portion of Long-Term Debt	68,256	62,544
Due to Other Corporations	<u>3,360,215</u>	<u>2,400,832</u>
Total Current Liabilities	<u>4,908,802</u>	<u>3,230,667</u>
Long-Term Debt	<u>24,110</u>	<u>92,367</u>
Net Assets		
Unrestricted	(820,950)	201,001
Invested in Capital Assets, Net of Related Debt	<u>2,762,812</u>	<u>1,592,564</u>
Total Net Assets	<u>1,941,862</u>	<u>1,793,565</u>
Total Liabilities and Net Assets	<u>\$ 6,874,774</u>	<u>\$ 5,116,599</u>

(3)

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

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Statement of Revenues and Expenses
and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net Patient Service Revenue	\$ 10,937,848	\$ 10,281,179
Other Operating Revenue	<u>9,242</u>	<u>18,372</u>
Total Operating Revenue	<u>10,947,090</u>	<u>10,299,551</u>
Expenses		
Nursing Services	2,298,749	2,080,540
Other Professional Services	5,452,406	5,099,364
General Services	555,847	523,229
Administrative Services	2,990,835	2,763,354
Depreciation	<u>472,797</u>	<u>332,831</u>
Total Expenses	<u>11,770,634</u>	<u>10,799,318</u>
Net Income (Loss) from Operations	<u>(823,544)</u>	<u>(499,767)</u>
Non-Operating Income (Expenses)		
County Sales Tax	750,885	573,817
Donations and Grants	64,707	47,000
E.M.S. Transfers	<u>156,249</u>	<u>189,762</u>
Total Non-Operating	<u>971,841</u>	<u>810,579</u>
Change in Net Assets	148,297	310,812
Net Assets, Beginning of Year	<u>1,793,565</u>	<u>1,482,753</u>
Net Assets, End of Year	<u>\$ 1,941,862</u>	<u>\$ 1,793,565</u>

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Patient Service Revenue	\$ 10,323,241	\$ 9,586,565
Other Income	9,242	18,372
Payment to Vendors and Suppliers	(3,107,970)	(4,373,908)
Payments to Employees	<u>(6,553,417)</u>	<u>(6,018,051)</u>
Net Cash Provided By/(Used in) Operating Activities	<u>671,096</u>	<u>(787,022)</u>
Cash Flows from Non-Capital Financing Activities		
Sales Tax Receipts	664,631	686,367
Donations	64,707	47,000
E.M.S. Transfers	<u>156,249</u>	<u>189,762</u>
Net Cash Provided By Non-Capital Financing Activities	<u>885,587</u>	<u>923,129</u>
Cash Flows from Investing Activities		
Principal Payments on Long-Term Debt	(62,544)	(57,310)
Purchase of Capital Assets (net)	<u>(1,542,246)</u>	<u>(587,489)</u>
Net Cash Provided (Used) in Investing Activities	<u>(1,604,790)</u>	<u>(644,799)</u>
Increase/(Decrease) in Cash	(48,107)	(508,692)
Cash – Beginning of Year	<u>1,701,990</u>	<u>2,210,682</u>
Cash – End of Year	<u>\$ 1,653,883</u>	<u>\$ 1,701,990</u>

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Operating Income/(Loss)	\$ (823,544)	\$ (499,767)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided By Operating Activities:		
Depreciation	472,797	332,831
Changes in:		
Patient and Other Accounts Receivable	(614,607)	(1,067,289)
Estimated Third Party Payor Settlements	-	372,675
Supplies, Prepaid Expenses and Other Assets	(35,973)	(8,406)
Accounts Payable and Accrued Expenses	<u>1,672,423</u>	<u>82,934</u>
Net Cash Provided By/(Used in) Operating Activities	<u>\$ 671,096</u>	<u>\$ (787,022)</u>

LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY
Notes to the Financial Statements
June 30, 2011 and 2010

Note 1. Ownership

Mercy Health/Love County Hospital is a twenty-five bed, short-term, acute care, critical access Hospital owned by Love County, Oklahoma, located in Marietta, Oklahoma. Management of the hospital is composed of a five member board of control appointed by the County Commissioners. The Hospital has entered into a Management Services Agreement with Mercy Memorial Health Center, Inc. Duration of the agreement is renewable annually.

Note 2. Summary of Significant Accounting Policies

General Accounting Consideration - Mercy Health/Love County 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 Hospital 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

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Notes to the Financial Statements
June 30, 2011 and 2010

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 Hospital'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 Hospital 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 Hospital 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 Hospital 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.

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Notes to the Financial Statements
June 30, 2011 and 2010

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 program. The program's 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.

Note 4. **Compensated Absences**

The Hospital'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

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Notes to the Financial Statements
June 30, 2011 and 2010

Note 5. **Capital Assets**

Capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

	2011				
	Beginning Balance	Additions	Transfers	Adjustments/ Retirements	Ending Balance
Land	\$ 50,443	\$ -	\$ -	\$ -	\$ 50,443
Building	1,365,220	846,510	-	-	2,211,730
Equipment (Fixed and Moveable)	3,365,605	695,735	-	102	4,061,442
Total Capital Assets	<u>4,781,268</u>	<u>1,542,245</u>	<u>-</u>	<u>102</u>	<u>6,323,615</u>
Less Accumulated Depreciation	<u>3,063,793</u>	<u>472,797</u>	<u>-</u>	<u>(102)</u>	<u>3,536,692</u>
Capital Assets - Net	<u>\$ 1,717,475</u>	<u>\$ 1,069,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,786,923</u>
	2010				
	Beginning Balance	Additions	Transfers	Adjustments/ Retirements	Ending Balance
Land	\$ 50,443	\$ -	\$ -	\$ -	\$ 50,443
Building	1,062,628	302,592	-	-	1,365,220
Equipment (Fixed and Moveable)	3,063,647	301,958	-	-	3,365,605
Total Capital Assets	<u>4,176,718</u>	<u>604,550</u>	<u>-</u>	<u>-</u>	<u>4,781,268</u>
Less Accumulated Depreciation	<u>2,713,901</u>	<u>332,831</u>	<u>-</u>	<u>17,061</u>	<u>3,063,793</u>
Capital Assets - Net	<u>\$ 1,462,817</u>	<u>\$ 271,719</u>	<u>\$ -</u>	<u>\$ 17,061</u>	<u>\$ 1,717,475</u>

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**

Notes to the Financial Statements

June 30, 2011 and 2010

Note 6. Accounts Receivable - Patients

	2011	2010
Gross Accounts Receivable	\$ 3,273,797	\$ 3,416,232
Less Allowances for Bad Debts	1,225,976	1,983,018
Net Accounts Receivable	\$ 2,047,821	\$ 1,433,214

The allowance for uncollectible accounts is based upon managements estimate.

Note 7. Long-Term Debt

A summary of long-term debt, including capital lease obligations as of June 30, 2011 and 2010 is as follows:

		2011					
	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Leases Payable							
TLC Healthcare Finance	8.77%	2012	\$ 154,911	\$ -	\$ 62,544	\$ 92,367	\$ 68,256
			\$ 154,911	\$ -	\$ 62,544	\$ 92,367	\$ 68,256
		2010					
	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Leases Payable							
TLC Healthcare Finance	8.77%	2012	\$ 212,221	\$ -	\$ 57,310	\$ 154,911	\$ 62,544
			\$ 212,221	\$ -	\$ 57,310	\$ 154,911	\$ 62,544

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

	Principal	Interest	Total Payments
2012	\$ 68,257	\$ 5,402	\$ 73,659
2013	24,110	442	24,552
	\$ 92,367	\$ 5,844	\$ 98,211

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**

Notes to the Financial Statements

June 30, 2011 and 2010

Note 8. Cash and Deposits

At June 30, 2011 and 2010, bank balances were as follows:

	2011
Insured (FDIC)	
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	500,000
Uninsured, uncollateralized or collateralized by securities held its trust department or agent in other than the Hospital's name	1,153,883
	-
Total	\$ 1,653,883
Carrying Value	\$ 1,653,883

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Hospital holds deposits that are uninsured and uncollateralized; uncollateralized 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 exist 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 9 . 403(b) Thrift Plan

The Hospital adopted a Thrift Plan under Internal Revenue Code Section 403(b) for the benefit of its employees. The plan year end is June 30. The minimum employee contribution accepted in one percent of salary and the maximum is twenty-five percent of the employee’s compensation for the limitation year. Employer contributions are made on behalf of each participant who has attained age 21 and completed one year of eligible service. The employer maximum contribution to the plan is five percent of total participants’ compensation, with a cap on eligible compensation of \$120,000. Participants become fully vested in the plan after five years of service.

Note 10 . Contingencies

During the normal course of business, the Hospital is involved in various claims and lawsuits. In the opinion of management, the potential loss on any claim and lawsuit, net of insurance proceeds, will not be significant to the Hospital’s financial position or results of operations.

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Notes to the Financial Statements
June 30, 2011 and 2010

Note 11. Concentration of Credit Risk

The Hospital operates in South Central Oklahoma, and grants credit without collateral to their patients, most of whom are local residents and are uninsured or under insured.

Note 12. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments at June 30, 2011 and 2010.

The carrying amounts reported in the balance sheet for cash, assets limited as to use, accounts payable and accrued expenses, and estimated amount due to/from Medicare approximate their fair value.

Note 13. Net Patient Service Revenues

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

	2011	2010
Gross Patient Service Revenues	\$ 18,463,319	\$ 11,472,435
Less:		
Bad Debt	1,961,412	501,230
Charity	147,801	56,141
Administration and Other	1,214,382	370,959
Medicaid Adjustment	864,672	122,574
Medicare Adjustment	3,337,204	140,053
Net Patient Service Revenue	\$ 10,937,848	\$ 10,281,179

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Net Patient Service Revenue
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Medical and Surgical	\$ 4,473,047	\$ 999,432
Observation Room	47,838	26,263
Central Service and Supply	418,511	312,618
Emergency Room	1,667,670	1,478,620
Laboratory	2,387,551	1,706,751
Radiology and E.K.G.	1,954,770	1,478,742
Pharmacy and I.V.'s	1,886,101	852,496
Inhalation Therapy	657,116	460,744
Physical Therapy	258,467	195,903
Speech Therapy	10,359	10,280
Occupational Therapy	143,984	132,918
Rural Health Clinic	2,177,440	1,412,315
Brigade Service	1,076,556	1,086,743
Emergency Medical Service	<u>1,303,909</u>	<u>1,258,610</u>
 Total Patient Service Revenue	 18,463,319	 11,472,435
 Less Contractual Adjustments and Bad Debts		
Charity	147,801	56,141
Welfare	864,672	122,873
Medicare (Includes DRG Excess)	3,337,204	140,053
Bad Debts	1,961,412	501,230
Other Adjustments	<u>1,214,382</u>	<u>370,959</u>
 Net Patient Service Revenue	 <u>\$ 10,937,848</u>	 <u>\$ 10,281,179</u>

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**
Other Revenue
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Miscellaneous	\$ <u>9,242</u>	\$ <u>13,429</u>
Total Other Operating Revenue	\$ <u>9,242</u>	\$ <u>13,429</u>

**LOVE COUNTY HEALTH CENTER dba
MERCY HEALTH LOVE COUNTY**

Expenses

Years Ended June 30, 2011 and 2010

	2011		Total
	Salaries and Wages	Supplies and Other Expenses	
Nursing Services			
Medical and Surgical	\$ 1,307,320	\$ 356,291	\$ 1,663,611
Emergency Room	519,916	115,222	635,138
Total Nursing Services	\$ 1,827,236	\$ 471,513	\$ 2,298,749
Other Professional Services			
Laboratory	\$ 346,775	\$ 291,655	\$ 638,430
Radiology and EKG	201,888	121,262	323,150
Pharmacy and I.V.'s	886	266,549	267,435
Medical Supplies	29,212	33,639	62,851
Respiratory Therapy	199,289	23,174	222,463
Therapy Services	-	235,623	235,623
Rural Health Clinic	1,492,715	184,172	1,676,887
Emergency Medical Service	1,247,168	126,689	1,373,857
Brigade Service	555,611	96,099	651,710
Total Professional Care Expense	\$ 4,073,544	\$ 1,378,862	\$ 5,452,406
General Services			
Operation and Maintenance	\$ 144	\$ 200,419	\$ 200,563
Medical Records	113,089	8,026	121,115
Dietary	47,190	53,526	100,716
Housekeeping and Laundry	83,671	49,782	133,453
Total General Services	\$ 244,094	\$ 311,753	\$ 555,847
Administrative Services			
Administration and Office	\$ 494,112	\$ 997,650	\$ 1,491,762
Employees Benefits	-	1,499,073	1,499,073
Total Administrative Services	\$ 494,112	\$ 2,496,723	\$ 2,990,835

2010

Salaries and Wages	Supplies and Other Expenses	Total
\$ 1,145,771	\$ 331,565	\$ 1,477,336
515,135	88,065	603,204
\$ 1,660,910	\$ 419,630	\$ 2,080,540
\$ 337,680	\$ 317,800	\$ 655,480
203,637	118,268	321,905
-	254,440	254,440
28,035	5273	33,308
196,069	53,250	249,319
-	130,266	130,266
1,331,579	180,744	1,512,323
1,079,103	132,218	1,211,321
513,518	63,973	577,491
-	150,664	150,664
-	2,847	2,847
\$ 3,689,621	\$ 1,409,743	\$ 5,099,364
\$ -	\$ 170,797	\$ 170,797
123,132	6,554	129,686
43,875	49,818	93,693
86,704	42,349	129,053
\$ 253,711	\$ 269,518	\$ 523,229
\$ 518,771	\$ 941,916	\$ 1,460,687
-	1,302,667	1,302,667
\$ 518,771	\$ 2,244,583	\$ 2,763,354

**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
Love County Health Center dba
Mercy Health Love County
Marietta, Oklahoma

We have audited the financial statements of Love County Health Center dba Mercy Health Love County, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 26, 2011. The Independent Auditors' Report contains an explanatory paragraph as to the omission of the management discussion and analysis section of the financial statements. 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 Love County Health Center dba Mercy Health Love County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Love County Health Center dba Mercy Health Love County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

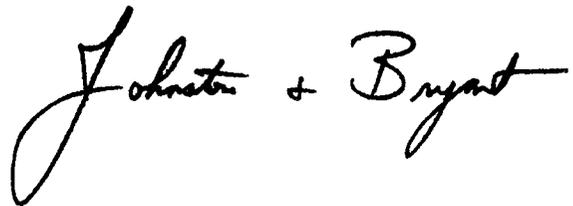
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Compliance And Other Matters

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

This report is intended solely for the information and use of the management, others within the organization, board of directors, 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, 2011

A handwritten signature in black ink that reads "Johnston & Bryant". The signature is written in a cursive, flowing style with a large initial 'J' and 'B'.