

**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Financial Statements  
June 30, 2013 and 2012

With Independent Auditors' Report Thereon

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

**JUNE 30, 2013 AND 2012**

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# **JOHNSTON & BRYANT**

Certified Public Accountants

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## **Independent Auditors' Report**

Pete Johnston, C.P.A.  
Allen Bryant, Jr., C.P.A.

MEMBER

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

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Love County Health Center dba, Mercy Health Love County, which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net assets, 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.

The Board of Control  
Love County Health Center dba  
Mercy Health Love County  
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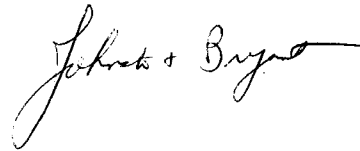
## Opinion

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, 2013 and 2012, and the changes in its net assets 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 November 25, 2013 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 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 Love County Health Center dba, Mercy Health Love County's internal control over financial reporting and compliance.

Ada, Oklahoma  
November 25, 2013



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

Balance Sheet  
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Cash on Hand and in Banks, including Time Deposits	\$ 1,806,257	\$ 1,801,485
Accounts Receivable - Patients, Less Allowances	1,655,173	2,030,826
Other Receivables	84,294	86,294
Inventories	181,047	152,241
Prepaid Expenses	157,125	178,993
Due Under Cost Contracts	<u>1,833,175</u>	<u>2,114,559</u>
Total Current Assets	<u>5,717,071</u>	<u>6,364,398</u>
Property, Plant and Equipment	7,900,169	6,911,575
Less Accumulated Depreciation	<u>(4,657,779)</u>	<u>(4,144,329)</u>
Net Property, Plant and Equipment	<u>3,242,390</u>	<u>2,767,246</u>
Total Assets	<u>\$ 8,959,461</u>	<u>\$ 9,131,644</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 528,222	\$ 582,306
Accrued Payroll	167,428	145,080
Accrued PTO	576,447	562,070
Current Portion of Long-Term Debt	-	18,709
Due to Other Corporations (Note 14 and 15)	<u>3,958,468</u>	<u>3,949,805</u>
Total Current Liabilities	<u>5,230,565</u>	<u>5,257,970</u>
Long-Term Debt	<u>-</u>	<u>5,403</u>
Net Assets		
Unrestricted	486,506	1,125,136
Invested in Capital Assets, Net of Related Debt	<u>3,242,390</u>	<u>2,743,135</u>
Total Net Assets	<u>3,728,896</u>	<u>3,868,271</u>
Total Liabilities and Net Assets	<u>\$ 8,959,461</u>	<u>\$ 9,131,644</u>

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

**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Statement of Revenues, Expenses,  
and Changes in Net Assets  
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net Patient Service Revenue	\$ 11,016,901	\$ 12,856,126
Other Operating Revenue	<u>14,191</u>	<u>48,608</u>
Total Operating Revenue	<u>11,031,092</u>	<u>12,904,734</u>
Expenses		
Nursing Services	2,253,896	2,277,012
Other Professional Services	5,791,851	5,708,369
General Services	608,173	579,842
Administrative Services	3,300,924	3,461,871
Depreciation	<u>513,450</u>	<u>612,185</u>
Total Expenses	<u>12,468,294</u>	<u>12,639,279</u>
Net Income (Loss) from Operations	<u>(1,437,202)</u>	<u>265,455</u>
Non-Operating Income (Expenses)		
County Sales Tax	1,065,280	862,040
Donations and Grants	26,815	-
Interest Expense	-	(5,402)
Interest Income	1,761	2,352
E.M.S. Transfers	<u>203,971</u>	<u>168,834</u>
Total Non-Operating	<u>1,297,827</u>	<u>1,027,824</u>
Change in Net Assets Before Extraordinary Item	(139,375)	1,293,279
Adjustment of Amount Due Intercompany	<u>-</u>	<u>633,130</u>
Change in Net Assets	(139,375)	1,926,409
Net Assets, Beginning of Year	<u>3,868,271</u>	<u>1,941,862</u>
Net Assets, End of Year	<u>\$ 3,728,896</u>	<u>\$ 3,868,271</u>

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

**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Statement of Cash Flows  
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Receipts From and on Behalf of Patients	\$ 11,392,554	\$ 10,758,562
Other Receipts and Payments	295,575	48,608
Payment to Suppliers and Contractors	(4,955,174)	(4,490,554)
Payments to Employees	(7,015,304)	(7,219,666)
Net Cash Provided By/(Used in) Operating Activities	(282,349)	(903,050)
Cash Flows from Non-Capital Financing Activities		
County Sales Tax Receipts	1,067,280	912,500
E.M.S. Transfers	203,971	168,834
Adjustment of Amount Due Intercompany	-	633,130
Net Cash Provided By Non-Capital Financing Activities	1,271,251	1,714,464
Capital and Related Financing Activities		
Purchase of Capital Assets	(988,594)	(592,507)
Donations	26,815	-
Interest Expense	-	(5,402)
Increase (decrease) in long term debt	(24,111)	(68,255)
Net Cash Provided (Used) in Investing Activities	(985,890)	(666,164)
INVESTING ACTIVITIES		
Interest Income	1,760	2,352
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,760	2,352
Net Increase(Decrease) in Cash and Equivalentents	4,772	147,602
Cash – Beginning of Year	1,801,455	1,653,883
Cash – End of Year	\$ 1,806,257	\$ 1,801,485

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

**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Statement of Cash Flows  
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Operating Income/(Loss)	\$ (1,437,203)	\$ 265,455
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided By Operating Activities:		
Depreciation	513,450	612,185
Changes in:		
Patient and Other Accounts Receivable	375,653	16,995
Estimated Third Party Payor Settlements	281,384	(2,114,559)
Supplies, Prepaid Expenses and Other Assets	(6,938)	(81,841)
Accounts Payable and Accrued Expenses	<u>(8,695)</u>	<u>398,715</u>
Net Cash Provided By/(Used in) Operating Activities	<u>\$ (282,349)</u>	<u>\$ (903,050)</u>

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



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

Notes to the Financial Statements  
June 30, 2013 and 2012

**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, 2013 and 2012

**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 as a political subdivision of the state of Oklahoma.

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, 2013 and 2012

**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, 2013 and 2012

**Note 5. Capital Assets**

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

	2013				
	Beginning Balance	Additions	Transfers	Adjustments/ Retirements	Ending Balance
Land and Improvements	\$ 73,126	\$ -	\$ -	\$ -	\$ 73,126
Building	2,249,920	803,976	-	-	3,053,896
Equipment (Fixed and Moveable)	4,588,529	184,618	-	-	4,773,147
Total Capital Assets	<u>6,911,575</u>	<u>988,594</u>	-	-	<u>7,900,169</u>
Less Accumulated Depreciation	<u>(4,144,329)</u>	<u>(513,450)</u>	-	-	<u>(4,657,779)</u>
Capital Assets - Net	<u>\$ 2,767,246</u>	<u>\$ 475,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,242,390</u>
	2012				
	Beginning Balance	Additions	Transfers	Adjustments/ Retirements	Ending Balance
Land	\$ 50,443	\$ 22,683	\$ -	\$ -	\$ 73,126
Building	2,211,730	38,190	-	-	2,249,920
Equipment (Fixed and Moveable)	4,061,442	527,087	-	-	4,588,529
Total Capital Assets	<u>6,323,615</u>	<u>587,960</u>	-	-	<u>6,911,575</u>
Less Accumulated Depreciation	<u>(3,536,693)</u>	<u>(612,185)</u>	-	4,549	<u>(4,144,329)</u>
Capital Assets - Net	<u>\$ 2,786,923</u>	<u>\$ (24,225)</u>	<u>\$ -</u>	<u>\$ 4,549</u>	<u>\$ 2,767,246</u>

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

Notes to the Financial Statements  
June 30, 2013 and 2012

**Note 6. Accounts Receivable - Patients**

	2013	2012
Gross Accounts Receivable	\$ 4,281,794	\$ 4,064,483
Less Allowances for Bad Debts	(2,626,621)	2,033,657
Net Accounts Receivable	\$ 1,655,173	\$ 2,030,826

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, 2013 and 2012 is as follows:

		2013					
	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Leases Payable							
TLC Healthcare Finance	8.77%	2012	\$ 24,112	\$ -	\$ 24,112	\$ -	\$ -
			\$ 24,112	\$ -	\$ 24,112	\$ -	\$ -
		2012					
	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Leases Payable							
TLC Healthcare Finance	8.77%	2012	\$ 68,256	\$ -	\$ 44,144	\$ 24,112	\$ 24,112
			\$ 68,256	\$ -	\$ 44,144	\$ 24,112	\$ 24,112

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

	Principal	Interest	Total Payments
2013	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -

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

Notes to the Financial Statements  
June 30, 2013 and 2012

**Note 8. Cash and Deposits**

At June 30, 2013 bank balances were as follows:

	2013
Insured (FDIC)	\$ 500,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	1,470,804
Uninsured, uncollateralized or collateralized by securities held its trust department or agent in other than the Hospital's name	-
Total	\$ 1,970,804
Carrying Value	\$ 1,806,257

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Hospital 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 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 \$250,000 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, 2013 and 2012

**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, 2013 and 2012.

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, 2013 is computed as follows:

	2013	2012
Gross Patient Service Revenues	\$ 16,704,459	\$ 17,007,749
Less:		
Bad Debt	1,150,479	1,200,706
Charity	419,688	264,889
Administration and Other	2,103,873	1,949,399
Medicare and Medicaid	2,013,517	(384,976)
Net Patient Service Revenue	\$ 11,016,902	\$ 12,856,126

**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Notes to the Financial Statements  
June 30, 2013 and 2012

**Note 14. Management Agreement**

The Hospital is currently managed by Mercy Memorial Health Center, Inc., an Oklahoma not-for profit corporation. The management agreement is renewed annually on July 1 for the succeeding 12 month period. The management agreement was renewed July 1, 2013 through June 30, 2014. See Note 16.

**Note 15. Due to Other Corporations**

This full amount (\$3,958,468) is payable to Mercy Memorial Health Center, Inc., the same corporation that currently manages the hospital. See also Note 14.

**Note 16. Subsequent Events**

Management has evaluated subsequent events through November 25, 2013 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.



**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Net Patient Service Revenue  
Years Ended June 30, 2013 and 2012

	2013	2012
Medical and Surgical	\$ 2,350,570	\$ 2,398,699
Observation Room	2,405	27,032
Central Service and Supply	366,922	585,436
Emergency Room	1,726,540	1,391,651
Laboratory	2,839,118	3,052,972
Radiology and E.K.G.	2,261,160	2,209,745
Pharmacy and I.V.'s	1,525,835	1,754,875
Inhalation Therapy	538,283	552,222
Physical Therapy	351,026	291,681
Speech Therapy	1,833	6,321
Occupational Therapy	147,048	145,101
Rural Health Clinic	2,123,770	1,945,738
Brigade Service	1,076,556	1,147,953
Emergency Medical Service	1,393,393	1,498,323
Total Patient Service Revenue	16,704,459	17,007,749
Less Contractual Adjustments and Bad Debts		
Charity	419,688	264,889
Medicare and Medicaid	2,013,517	736,629
Bad Debts	1,150,479	1,200,706
Other Adjustments	2,103,873	1,949,399
Net Patient Service Revenue	\$ 11,016,902	\$ 12,856,126

See accompanying accountant's report.

**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Other Revenue  
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Miscellaneous	\$ <u>14,191</u>	\$ <u>48,608</u>
Total Other Operating Revenue	\$ <u>14,191</u>	\$ <u>48,608</u>

See accompanying accountant's report.

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

Expenses

Years Ended June 30, 2013 and 2012

	2013		Total
	Salaries and Wages	Supplies and Other Expenses	
<b>Nursing Services</b>			
Medical and Surgical	\$ 1,426,898	\$ 182,896	\$ 1,609,794
Emergency Room	539,732	104,370	644,102
<b>Total Nursing Services</b>	<b>\$ 1,966,630</b>	<b>\$ 287,266</b>	<b>\$ 2,253,896</b>
<b>Other Professional Services</b>			
Laboratory	\$ 326,621	\$ 267,163	\$ 593,784
Radiology and EKG	203,536	135,849	339,385
Pharmacy and I.V.'s	30,284	208,272	238,556
Medical Supplies	29,227	128,755	157,982
Respiratory Therapy	214,159	21,680	235,839
Therapy Services	-	3,814,627	314,627
Rural Health Clinic	1,442,851	215,019	1,657,870
Emergency Medical Service	1,253,506	187,279	1,440,785
Brigade Service	866,890	70,843	937,733
<b>Total Professional Care Expense</b>	<b>\$ 4,367,074</b>	<b>\$ 1,549,487</b>	<b>\$ 5,916,561</b>
<b>General Services</b>			
Operation and Maintenance	\$ 1,343	\$ 241,014	\$ 242,357
Medical Records	101,851	3,947	105,798
Dietary	70,492	64,103	134,595
Housekeeping and Laundry	83,261	42,162	125,423
<b>Total General Services</b>	<b>\$ 256,947</b>	<b>\$ 351,226</b>	<b>\$ 608,173</b>
<b>Administrative Services</b>			
Administration and Office	\$ 461,378	\$ 1,052,499	\$ 1,513,877
Employees Benefits	-	1,787,672	1,787,672
<b>Total Administrative Services</b>	<b>\$ 461,378</b>	<b>\$ 2,840,171</b>	<b>\$ 3,301,549</b>

See accompanying accountant's report.

2012		
Salaries and Wages	Supplies and Other Expenses	Total
\$ 1,441,636	\$ 229,230	\$ 1,670,866
506,964	99,182	606,146
<u>\$ 1,948,600</u>	<u>\$ 328,412</u>	<u>\$ 2,277,012</u>
\$ 329,183	\$ 299,365	628,548
205,732	107,635	313,367
25,966	224,313	250,279
29,576	37,280	66,856
214,881	25,167	240,048
-	280,975	280,975
1,550,361	205,023	1,755,384
1,421,342	130,646	1,551,988
533,276	87,648	\$ 620,924
<u>\$ 4,310,317</u>	<u>\$ 1,398,052</u>	<u>\$ 5,708,369</u>
\$ -	\$ 212,734	\$ 212,734
102,858	14,302	117,160
63,164	56,840	120,004
85,995	43,949	129,944
<u>\$ 252,017</u>	<u>\$ 327,825</u>	<u>\$ 579,842</u>
\$ 571,426	\$ 1,224,439	\$ 1,795,865
-	1,666,006	1,666,006
<u>\$ 571,426</u>	<u>\$ 2,890,445</u>	<u>\$ 3,461,871</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**

The Board of Control  
Love County Health Center dba  
Mercy Health Love County  
Marietta, 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 Love County Health Center dba, Mercy Health Love County 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 November 25, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Love County Health Center dba, Mercy Health Love County'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 Love County Health Center dba, Mercy Health Love County's internal control. Accordingly, we do not express an opinion on the effectiveness of Love County Health Center dba, Mercy Health Love County'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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The Board of Control  
Love County Health Center dba  
Mercy Health Love County  
Marietta, Oklahoma  
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### **Compliance and Other Matters**

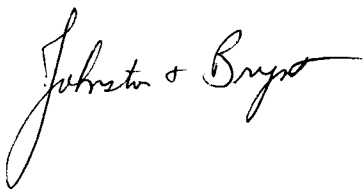
As part of obtaining reasonable assurance about whether Love County Health Center dba, Mercy Health Love County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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*.

### **Love County Health Center dba Mercy Health Love County's Response to Findings**

Love County Health Center dba Mercy Health Love County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Love County Health Center dba Mercy Health Love County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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  
November 25, 2013

**LOVE COUNTY HEALTH CENTER dba  
MERCY HEALTH LOVE COUNTY**  
Schedule of Findings  
Year Ended June 30, 2013

2013-1

**Criteria:** In order to present materially correct financial statements for use by management for decision making, the general ledger accounts should be properly reconciled on a monthly basis.

**Condition:** The main checking account was not reconciled to the supporting bank statements on a monthly basis.

**Effect or Potential Effect:** Once reconciled after year end, the general ledger balance differed by \$171,831.95 to the reconciled bank statement.

**Recommendation:** Monthly reconciliations of all bank accounts should be provided to hospital management and adjustments should be authorized and made on a timely basis.

**Responsible Official's Response:** Hospital and management personnel are working on the reconciliation problem and are taking proper steps to insure all bank accounts to be reconciled monthly to the general ledger. Hospital personnel are to agree to the reconciliations.