

PURCELL MUNICIPAL HOSPITAL

Financial Statements
June 30, 2013 and 2012

With Independent Auditors' Report Thereon

PURCELL MUNICIPAL HOSPITAL

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PURCELL MUNICIPAL HOSPITAL

June 30, 2013

Management's Discussion and Analysis

This discussion and analysis of the Purcell Municipal Hospital (Hospital) financial statements provides an overview of the Hospital's financial activities for the year ending June 30, 2013. Management has prepared the financial statements and related footnote disclosures along with the discussion and analysis.

Financial Highlights

The Hospital's financial position as a whole decreased during the fiscal year ending June 30, 2013. Net Position decreased by approximately \$1,564,600 or 21.4% over the previous year.

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis, the Independent Auditor's Report, Balance Sheets, Statements of Revenues and Expenses, Statements of Changes in Net Position, Statements of Cash Flows, Notes to the Financial Statements, Supplementary Information, and the Independent Auditor's Report on the Compliance and on Internal Control over Financial Reporting, Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. These statements provide both long-term and short-term financial information on the Hospital as a whole.

Balance Sheets, Statements of Revenues and Expenses, and Statements of Changes in Net Position

The Balance Sheets, Statements of Revenues and Expenses, and Statements of Changes in Net Position report the Hospital's net position and how they have changed. Net position, the difference between assets and liabilities, are one way to measure the Hospital's financial position. Over time, increases or decreases in the Hospital's net position is an indicator of whether its financial position is improving or declining. Non-financial factors are important to consider as well, including community trends, the number of admitting physicians, patient census, and trends in national and state health care reimbursement policies.

The enclosed statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private-sector entities. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

For the year ending June 30, 2013, total assets were approximately \$9,092,000 and Total Liabilities were approximately \$3,335,845. Operating Expenses of \$14,839,000 exceeded Operating Revenue of \$13,260,075 resulting in Operating Net loss of \$1,579,000.

PURCELL MUNICIPAL HOSPITAL Management's Discussion and Analysis

Operating Revenues

Significant changes in operating revenues included the following:

Gross patient service revenue increased by approximately \$2,242,000 or 6.9% over the past year.

The increase resulted from an increase in the Hospital's volume and the addition of pain management.

Contractual adjustments increased by approximately \$4,142,000 or 29.7%.

Operating Expenses

Significant changes in operating expenses included the following:

Nursing Services expense increased \$3,279 or 0.08%.

Other Professional Services expense increased \$764,393 or 15.7%.

General Services expenses increased 8.0% or approximately \$116,812.

Administrative service expenses decreased by 0.1% or approximately \$30,924.

Non-operating Revenues and Expenses

Significant changes in non-operating revenues and expenses were the result of the following:

Interest Income decreased by \$1,985 or 44.2%.

The Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity over a period of time. This statement also aids in the assessment of an entity's ability to generate future net cash flows, its ability to meet obligations as they come due, and needs for external financing. The financial information in this statement has been converted from an accrual basis of accounting to a summary of cash activity statement.

The Hospital's overall liquidity declined during the year with a net decrease in cash of \$112,232. Cash provided by operating activities increased by approximately \$902,411 over the prior year. This was due primarily to increases in Accounts Payable. Cash used for capital financing purposes increased by \$806,504 and cash used for investing activities increased by \$435,849.

**PURCELL MUNICIPAL HOSPITAL
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2013, the Hospital had approximately \$13,665,000 invested in capital assets. The related accumulated depreciation was \$9,260,000. Depreciation charges for the year totaled \$393,000 compared to \$371,000 in the prior year.

For additional information related to capital assets, please see Note 4 in the financial statements.

Debt

At fiscal year-end 2013, the Hospital had approximately \$124,418 in outstanding debt, a decrease of \$813,504 from the prior year. For additional information regarding long-term debt, please see Note 5 in the financial statements.

Economic Outlook

The Hospital expects a very challenging year in 2014, but anticipates that it will be better than 2013. We will continue to adapt to the decreasing reimbursement and many obstacles that all rural hospital face today. We will also continue to fine-tune our operations and search for additional revenue sources in order to improve our financial position.

JOHNSTON & BRYANT

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Oklahoma Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Purcell Municipal Hospital
Purcell, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the hospital will continue as a going concern. As discussed in Note 14 to the financial statements, the hospital has suffered a significant loss from operations which has reduced the hospital's working capital and raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013 on our consideration of Purcell Municipal Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Purcell Municipal Hospital's internal control over financial reporting and compliance.

Ada, Oklahoma
October 7, 2013



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PURCELL MUNICIPAL HOSPITAL

Balance Sheets
June 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and Cash Equivalents	\$ 486,592	\$ 598,824
Certificate of Deposit	95,000	95,000
Assets Whose Use Is Limited	-	364,695
Accounts Receivable		
Patients Net	3,128,401	4,221,664
Other	9,806	9,642
Amounts Due Under Cost Contracts	-	-
Inventories	56,405	48,528
Prepaid Expenses	93,427	59,546
Total Current Assets	<u>3,869,631</u>	<u>5,397,899</u>
Assets Whose Use Is Limited		
By Board for Capital Improvements	632,324	777,152
Under Indenture Agreement – Held By Trustee	-	447,613
Interest Receivable	-	-
Total Assets Whose Use Is Limited	<u>632,324</u>	<u>1,224,765</u>
Less: Amount Required to Meet Current Obligations	-	(364,695)
Noncurrent Assets Whose Use Is Limited	<u>632,324</u>	<u>860,070</u>
Capital Assets		
Property, Plant and Equipment	13,664,761	12,444,591
Less Accumulated Depreciation	(9,259,702)	(8,866,923)
Total Capital Assets, Net	<u>4,405,059</u>	<u>3,577,668</u>
Other Assets		
Notes Receivable - Net	185,273	260,354
Bond Origination Cost - Net	-	5,349
Total Other Assets	<u>185,273</u>	<u>265,703</u>
Total Assets	<u>\$ 9,092,287</u>	<u>\$ 10,101,340</u>

See accompanying notes to the financial statements.

	<u>2013</u>	<u>2012</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 53,118	\$ 400,199
Accounts Payable	2,406,554	1,105,414
Amounts Payable Under Cost Contracts	196,943	107,238
Accrued Expenses	607,930	630,510
Total Current Liabilities	<u>3,264,545</u>	<u>2,243,361</u>
Long-Term Debt, Net	<u>71,300</u>	<u>537,723</u>
Total Liabilities	<u>3,335,845</u>	<u>2,781,084</u>
Net Position		
Unrestricted	5,756,372	7,320,186
Restricted	70	70
Total Net Position	<u>5,756,442</u>	<u>7,320,256</u>
Total Liabilities and Net Position	<u>\$ 9,092,287</u>	<u>\$ 10,101,340</u>

EXHIBIT B

PURCELL MUNICIPAL HOSPITAL
Statement of Revenues and Expenses
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Net Patient Service Revenue	\$ 12,869,982	\$ 14,116,244
Other Operating Revenue	390,093	239,918
Total Operating Revenue	<u>13,260,075</u>	<u>14,356,162</u>
Expenses		
Nursing Services	3,811,672	3,808,393
Other Professional Services	5,646,768	4,882,375
General Services	1,560,943	1,444,131
Administrative Services	3,376,185	3,407,114
Interest	50,035	73,290
Provision For Depreciation	393,522	371,740
Total Expenses	<u>14,839,125</u>	<u>13,987,043</u>
Net Income (Loss) From Operations	(1,579,050)	369,119
Non-Operating Revenue		
Interest Income	2,511	4,496
EMR Incentive Payments	-	226,636
Donations	12,725	47,643
Change in Net Position	<u>\$ (1,563,814)</u>	<u>\$ 647,894</u>

See accompanying notes to the financial statements.

PURCELL MUNICIPAL HOSPITAL
Statement of Changes in Net Position
Years Ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Restricted</u>
Net Position – June 30, 2011	\$ 6,672,292	\$ 70
Excess Revenue (Expenses)	647,894	-
Restricted Contributions	<u>-</u>	<u>-</u>
Net Position – June 30, 2012	7,320,186	70
Excess Revenue (Expenses)	(1,563,814)	-
Restricted Contributions	-	-
Other Adjustments	<u>-</u>	<u>-</u>
Net Position – June 30, 2013	<u>\$ 5,756,372</u>	<u>\$ 70</u>

See accompanying notes to the financial statements.

EXHIBIT D

PURCELL MUNICIPAL HOSPITAL
Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activity		
Patient Service Revenue	\$ 14,052,950	\$ 12,740,062
Other Revenue	389,929	230,276
Payments to Employees	(6,305,611)	(5,655,676)
Payments to Vendors and Suppliers	(6,853,155)	(6,932,960)
Net Cash Provided by Operating Activity	1,284,113	381,702
Noncapital Financing Activities		
Noncapital Gifts and Grants	12,725	274,279
Net Cash Provided by Noncapital Financing Activities	12,725	274,279
Cash Flow from Capital Financing Activities		
Principal Payments	(813,504)	(396,176)
Interest Payments	(44,686)	(73,290)
Net Cash Flows used by Capital Financing Activities	(858,190)	(469,466)
Cash Flow from Investing Activities		
Purchase of Capital Assets (Net)	(1,220,913)	(414,409)
Interest Income	2,511	4,496
Transfer (to) from Assets Whose Use is Limited	592,441	262,874
Reductions in Notes Receivable	75,081	32,008
Net Cash Flow used by Investing Activities	(550,880)	(115,031)
Increase (Decrease) in Cash	(112,232)	71,484
Cash – Beginning	598,824	527,340
Cash – Ending	\$ 486,592	\$ 598,824
Cash Flow from Operating Activities		
Net Income From Operations	\$ (1,579,050)	\$ 369,119
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	393,522	371,740
Interest Expense	44,686	73,290
Changes in Operating Assets and Liabilities		
Accounts Payable	1,368,265	936,494
Accounts Receivable	1,093,099	(1,398,382)
Other Assets	5,349	5,080
Prepays	(33,881)	27,470
Inventory	(7,877)	(3,109)
Net Cash Provided by Operations	\$ 1,284,113	\$ 381,702

See accompanying notes to the financial statements.

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 1. Summary of Significant Accounting Policies

Reporting Entity - Purcell Municipal Hospital is leased from the City of Purcell, Oklahoma to the Purcell Public Works Authority, which is a public trust created under Title 60, Oklahoma Statute 1961. The City of Purcell, Oklahoma, is the beneficiary. The bylaws of the Purcell Municipal Hospital, an enterprise fund of Purcell Public Works Authority, provides for a Board of Trustees to conduct the business of the Hospital and to provide short-term acute care services for the citizens of Purcell, Oklahoma.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

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

Income Taxes - The Hospital is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(a)(3) of the Code.

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.

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

Allowance For Uncollectible Accounts - The allowance for uncollectible accounts is determined by an aged analysis of outstanding patient accounts.

Inventories - Inventories are value at the lower of cost (first-in, first-out method) or market.

Assets Whose Use Is Limited- Assets whose use is limited primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current obligations of the hospital have been reclassified in the balance sheets as June 30, 2013 and 2012.

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 the 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

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

Bond Origination Cost - Bond origination cost is amortized on the straight-line method over the term of the loan outstanding, or on the percentage of debt maturing within the period to the total of the debt issued.

Risk Management - The Hospital 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 for estimated medical malpractice claims, if any, includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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.

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 2. Cash and Deposit

State Statutes require public trust to invest monies in financial institutions only in collateralized or insured certificates of deposit and other evidence of deposit. It is the Hospital's practice to mainly invest in demand and time deposit accounts and certificates of deposit. The following is a summary of deposits and investments at June 30, 2013 and 2012:

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

	<u>2013</u>	<u>2012</u>
Insured (FDIC)	\$ 582,493	514,090
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	788,030	1,711,400
Uninsured, uncollateralized or collateralized by securities held its trust department or agent in other than the Hospital's name	<u>-</u>	<u>-</u>
Total	<u>\$ 1,370,523</u>	<u>\$ 2,225,490</u>
Carrying Value	<u>\$ 1,213,916</u>	<u>\$ 1,918,588</u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Hospital holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Hospital's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments 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. At June 30, 2013 and 2012 the carrying amount of the Hospital's deposits was \$1,213,916 and \$1,918,588 and the bank balance was \$1,370,523 and \$2,225,490 respectively. As of June 30, 2013 and 2012 the Hospital was not exposed to custodial credit risk.

Note 3. Accounts Receivable - Patients

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

	<u>2013</u>	<u>2012</u>
Patient Accounts	\$ 9,007,903	\$ 9,769,735
Less: Contractual Adjustments	2,253,432	2,639,364
Less: Allowance For Uncollectible Accounts	<u>3,626,070</u>	<u>2,908,707</u>
	<u>\$ 3,128,401</u>	<u>\$ 4,221,664</u>

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 4. Capital Assets

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

	2013				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ 23,186	\$ -	-	\$ -	\$ 23,186
Land Improvements	218,368	-	-	-	218,368
Building	5,371,886	-	-	-	5,371,886
Building Improvements	1,440,622	23,534	-	-	1,464,156
Fixed Equipment	1,153,450	31,994	-	-	1,185,444
Major Movable Equipment	4,003,157	1,036,108	355,375	-	5,394,640
Construction in Progress	233,921	128,535	(355,375)	-	7,081
Total Capital Assets	<u>12,444,590</u>	<u>1,220,171</u>	<u>-</u>	<u>-</u>	<u>13,664,761</u>
Less Accumulated Depreciation	<u>8,866,923</u>	<u>393,522</u>	<u>-</u>	<u>743</u>	<u>9,259,702</u>
	<u>8,866,923</u>	<u>393,522</u>	<u>-</u>	<u>743</u>	<u>9,259,702</u>
Capital Assets - Net	<u>\$ 3,577,667</u>	<u>\$ 826,649</u>	<u>\$ -</u>	<u>\$ (743)</u>	<u>\$ 4,405,059</u>
	2012				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ 23,186	\$ -	-	\$ -	\$ 23,186
Land Improvements	218,368	-	-	-	218,368
Building	5,371,886	-	-	-	5,371,886
Building Improvements	1,287,793	83,167	69,662	-	1,440,622
Fixed Equipment	1,152,056	1,394	-	-	1,153,450
Major Movable Equipment	3,877,846	132,040	-	6,729	4,003,157
Construction in Progress	104,470	199,113	(69,662)	-	233,921
Total Capital Assets	<u>12,035,605</u>	<u>415,714</u>	<u>-</u>	<u>6,729</u>	<u>12,444,590</u>
Less Accumulated Depreciation	<u>8,500,606</u>	<u>371,740</u>	<u>-</u>	<u>5,423</u>	<u>8,866,923</u>
	<u>8,500,606</u>	<u>371,740</u>	<u>-</u>	<u>5,423</u>	<u>8,866,923</u>
Capital Assets - Net	<u>\$ 3,534,999</u>	<u>\$ 43,974</u>	<u>\$ -</u>	<u>\$ 1,306</u>	<u>\$ 3,577,667</u>

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 5.

Long-Term Debt

The following is a summary of long-term debt at June 30, 2013 and 2012:

	Interest Rate	Maturity Date	2013				
			Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds							
Revenue Bonds 2001 B Series	Varies	1/20/2012	\$ 745,000	\$ -	\$ 745,000	\$ -	\$ -
			<u>745,000</u>	<u>-</u>	<u>745,000</u>	<u>-</u>	<u>-</u>
Unamortized Deferred Loss on Bond Refinancing							
			(6,651)	-	6,651	-	-
			<u>(6,651)</u>	<u>-</u>	<u>6,651</u>	<u>-</u>	<u>-</u>
Capital Leases							
Drug Dispenser	3.75%	10/30/2013	24,841	-	18,519	6,322	6,322
Hematology Analyzer	3.75%	2/20/2014	15,691	-	9,279	6,412	6,412
C-Arm	3.75%	2/20/2014	-	-	-	-	-
CT-Buy - Out	3.75%	10/10/2012	8,506	-	8,506	-	-
C-Arm	3.75%	11/30/2015	84,096	-	23,509	60,587	24,405
CHS-ERP	3.75%	7/1/2016	66,441	-	15,345	51,096	15,979
			<u>199,575</u>	<u>-</u>	<u>75,158</u>	<u>124,417</u>	<u>53,118</u>
			<u>\$ 937,924</u>	<u>\$ -</u>	<u>\$ 826,809</u>	<u>\$ 124,417</u>	<u>\$ 53,118</u>
2012							
	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds							
Revenue Bonds 2001 B Series	Varies	1/20/2012	\$ 1,060,000	\$ -	\$ 315,000	\$ 745,000	\$ 325,000
			<u>1,060,000</u>	<u>-</u>	<u>315,000</u>	<u>745,000</u>	<u>325,000</u>
Unamortized Deferred Loss on Bond Refinancing							
			(13,319)	-	6,668	(6,651)	-
			<u>(13,319)</u>	<u>-</u>	<u>6,668</u>	<u>(6,651)</u>	<u>-</u>
Capital Leases							
Drug Dispenser	3.75%	10/30/2013	42,671	-	17,830	24,841	18,514
Hematology Analyzer	3.75%	2/20/2014	24,626	-	8,935	15,691	9,278
C-Arm	3.75%	2/20/2014	-	-	-	-	-
CT-Buy-Out	3.75%	10/10/2012	33,395	-	24,889	8,506	8,506
C-Arm	3.75%	11/30/2015	106,725	-	22,629	84,096	23,509
CHS-ERP	3.75%	7/1/2016	80,000	-	13,559	66,441	15,392
			<u>287,417</u>	<u>-</u>	<u>87,842</u>	<u>199,575</u>	<u>75,199</u>
			<u>\$ 1,334,098</u>	<u>\$ -</u>	<u>\$ 409,510</u>	<u>\$ 937,924</u>	<u>\$ 400,199</u>

On April 1, 2000 the Purcell Public Works Authority issued \$3,385,000 of its Utility Revenue Bonds, Series 2000 B. The purpose of this bond issue was to fully retire the remaining balances of the 1969 and 1994 bonds and pay all associated issuance costs. These bonds are a liability of the Purcell Public Works Authority whose utility revenues are pledged as security for payment. However, the Purcell Municipal Hospital (a department of the Purcell Public Works Authority) is responsible for all of the debt service on these bonds and as such the bonds are shown as a liability of the Purcell Municipal Hospital. As a result of these transactions the Purcell Municipal Hospital incurred a loss of \$208,997. Pursuit to GASB No. 23 the loss will be deferred and amortized over the life of the 2000 B Series Utility Revenue Bonds as a component of interest expense. The unamortized balance of the deferred loss will be netted against the outstanding balance of the 2000 B bonds. These bonds were fully retired in May of 2013.

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 5. Long-Term Debt (continued).

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

Year Ending June 30:	Capital Leases		Bonds and notes Payable	
	Principal	Interest	Principal	Interest
2014	\$ 53,118	\$ 3,684	\$ -	\$ -
2015	41,925	1,912	-	-
2016	29,374	457	-	-
2017	-	-	-	-
2018	-	-	-	-
	<u>\$ 124,417</u>	<u>\$ 6,053</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6. Commitments and Contingencies

Operating Leases - The Hospital leases various equipment and has service agreements under operating leases expiring at various dates through June 30, 2013. Total rental expense in 2013 and 2012, for all operating leases was approximately \$163,294 and \$151,441, respectively.

Note 7. Restricted Net Position

Temporarily restricted Net Position is available for the following purposes.

	2013	2012
Purchase of Clinic Equipment	<u>\$ 70</u>	<u>\$ 70</u>

Note 8. Donor Restrictions Released

Net Assets was released from donor restrictions by incurring expenses satisfying the restriction purposes.

	2013	2012
Purchase of Equipment	<u>\$ -</u>	<u>\$ -</u>
Operating Cost	<u>\$ -</u>	<u>\$ -</u>

Note 9. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were approximately \$153,757 and \$287,146 for June 30, 2013 and 2012.

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 10. Patient Service Revenue

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

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursement items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2011.

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

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

Other Carriers – The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

	<u>2013</u>	<u>2012</u>
Gross Patient Service Revenue	\$ 34,637,476	\$ 32,395,255
Less:		
Contractual Adjustments- Medicare	8,660,847	5,487,445
Contractual Adjustments- Medicaid	1,357,719	2,661,908
Discounts and other Adjustments	8,058,411	5,785,706
Provision for Bad Debts	3,690,517	4,343,952
Total Adjustments	<u>21,767,494</u>	<u>18,279,011</u>
Net Patient Service Revenue	<u>\$ 12,869,982</u>	<u>\$ 14,116,244</u>

PURCELL MUNICIPAL HOSPITAL

Notes to the Financial Statements

June 30, 2013 and 2012

Note 11. Concentration of Credit Risk

The Hospital is located in Purcell, Oklahoma. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net patient accounts receivable at June 30, 2013 and 2012, was as follows:

	<u>2013</u>	<u>2012</u>
Medicare and Medicaid	79.8%	80.4 %
Other Third-Party Payors	13.9%	13.5 %
Patients (Private Pay)	<u>6.3%</u>	<u>6.1 %</u>
	<u>100.0%</u>	<u>100.0 %</u>

Note 12. Retirement Agreement

On January 31, 2007 the hospital ceased participation in the Oklahoma Municipal Retirement Fund and all funds were transferred to the Purcell Municipal Hospital Retirement Plan, no other contributions will be made to the plan by the hospital. However, the Purcell Municipal Hospital Savings Plan was also established February 1, 2007. Under this plan the hospital will match 1.5% of amounts contributed by employees up to the amount permitted by law. During 2013 and 2012 the hospital contributed \$49,567 and \$89,014 respectively in matching funds.

Note 13. Joint Venture- Purcell Nuclear Medicine, LLC

The Purcell Public Works Authority dba Purcell Municipal Hospital and SSM of Oklahoma formed a joint venture company to perform Nuclear Medicine Studies at PMH. This joint venture is a limited liability corporation receiving its official recognition on July 28, 2011. The first patient scan occurred on September 7, 2011. Further the company performs nuclear medicine studies weekly on Tuesday, Thursday, and Friday of each week.

The partnership was formed on a percentage of ownership: PMH 51% and SSMOK 49%. Both partners contributed capital in cash or equipment. Each partner has specified management duties as well as the reimbursement for cost to each partner, if any, for the duties that are outlined in the Management Agreements with the LLC. Finally, the LLC rents space to perform scans from PMH as defined by a Lease Agreement.

Note 14. Going Concern

The hospital incurred a \$1,579,050 loss from operations for FYE June 30, 2013 and working capital has decreased by \$2,549,452 over the same period of time. These reductions are due primarily to declining utilization of hospital services for both inpatient and outpatient as well as increases in contractual adjustments to the Medicare program. Management is currently reviewing all aspect of the hospital's operations for efficiency as well as other possible revenue producing opportunities.

SUPPLEMENTAL INFORMATION

PURCELL MUNICIPAL HOSPITAL
Schedule of Net Patient Service Revenue
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Daily Patient Services		
Medical and Surgical Intensive Care	\$ 1,250,742	\$ 1,521,023
Newborn	-	49,955
	<u>11,970</u>	<u>16,150</u>
Total Daily Patient Services	<u>1,262,712</u>	<u>1,587,128</u>
Other Nursing Services		
Operating and Recovery Rooms	2,082,247	691,350
Delivery Room	1,912	7,579
Central Services and Supply	41,312	91,423
Emergency Services	8,453,845	8,199,033
Intravenous Therapy	319,887	668,577
Observation Room	<u>144,287</u>	<u>88,308</u>
Total Other Nursing Services	<u>11,043,490</u>	<u>9,746,270</u>
Other Professional Services		
Pain Management	5,724,038	4,748,496
Laboratory	5,245,447	5,210,419
Electrocardiology	286,873	458,275
Radiology	6,013,399	6,213,252
Pharmacy	2,155,370	1,738,949
Anesthesiology	278,327	17,686
Respiratory Therapy	959,659	1,038,609
Physical Therapy	219,885	284,556
Speech Therapy	2,992	2,907
Clinics	<u>1,445,284</u>	<u>1,348,708</u>
Total Other Professional Services	<u>22,331,274</u>	<u>21,061,857</u>
Total Patient Service Revenue	34,637,476	32,395,255
Less Contractual Adjustments and Provision for Bad Debts		
Provision for Bad Debt	3,690,517	4,343,952
Medicare	8,660,847	5,487,445
Medicaid	1,357,719	2,661,908
Discounts and Other Allowances	<u>8,058,411</u>	<u>5,785,706</u>
Net Patient Service Revenue	<u>\$ 12,869,982</u>	<u>\$ 14,116,244</u>

SCHEDULE 2

PURCELL MUNICIPAL HOSPITAL
Other Operating Revenue
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cafeteria Sales	\$ 32,194	\$ 36,733
Purchase Discounts	14,770	5,739
Medical Records Fees	5,155	4,137
Sale of Scrap and Waste	43	291
Clinic Rental	107,744	121,369
Miscellaneous	<u>230,187</u>	<u>71,649</u>
Total Other Operating Revenue	<u>\$ 390,093</u>	<u>\$ 239,918</u>

PURCELL MUNICIPAL HOSPITAL
 Patient Service Expenses
 Years Ended June 30, 2013 and 2012

	2013		
	Salaries	Other	Total
Nursing Services			
Medical and Surgical Intensive Care	\$ 1,272,833	\$ 82,520	\$ 1,355,353
Newborn Nursery	-	1,581	1,581
Operating and Recovery Rooms	283,346	118,107	401,453
Labor and Delivery Room	-	1,019	1,019
Central Services and Supply	-	11,381	11,381
Emergency Services	673,167	1,316,156	1,989,323
Intravenous Therapy	-	51,562	51,562
Total Nursing Services	\$ 2,229,346	\$ 1,582,326	\$ 3,811,672
Other Professional Services			
Pain Management	\$ 52,558	\$ 1,514,588	\$ 1,567,146
Laboratory	433,445	601,354	1,034,799
Electrocardiology	59,659	-	59,659
Radiology	411,737	453,020	864,757
Pharmacy	78,826	341,569	420,395
Anesthesiology	-	195,857	195,857
Respiratory Therapy	136,498	17,228	153,726
Physical Therapy	157,072	9,861	166,933
Speech Therapy	1,985	-	1,985
Clinic	851,531	329,980	1,181,511
Total Other Professional Services	\$ 2,183,311	\$ 3,463,457	\$ 5,646,768
General Services			
Dietary	\$ 158,710	\$ 117,771	\$ 276,481
Medical Records	305,701	153,438	459,139
Plant Engineering	141,204	376,476	517,680
Housekeeping	191,804	54,482	246,286
Laundry and Linen	-	61,357	61,357
Total General Services	\$ 797,419	\$ 763,524	\$ 1,560,943
Administrative Services			
Administrative and Business Offices	\$ 1,072,955	\$ 744,774	\$ 1,817,729
Employee Benefits	-	1,354,045	1,354,045
Insurance	-	204,411	204,411
Total Administrative Services	\$ 1,072,955	\$ 2,303,230	\$ 3,376,185

2012

<u>Salaries</u>	<u>Other</u>	<u>Total</u>
\$ 1,328,626	\$ 121,433	\$ 1,450,059
-	-	-
-	-	-
246,332	139,622	385,954
-	2,689	2,689
-	11,483	11,483
609,863	1,300,202	1,910,065
-	48,143	48,143
<u>\$ 2,184,821</u>	<u>\$ 1,623,572</u>	<u>\$ 3,808,393</u>

\$ 9,114	\$ 1,109,029	\$ 1,118,143
409,213	618,328	1,027,541
43,447	-	43,447
447,233	433,834	881,067
73,611	328,029	401,640
-	197,191	197,191
145,334	19,419	164,753
156,863	16,051	172,914
-	-	-
592,401	283,278	875,679
<u>\$ 1,877,216</u>	<u>\$ 3,005,159</u>	<u>\$ 4,882,375</u>

\$ 150,281	\$ 110,861	\$ 261,142
263,378	166,121	429,499
115,464	337,335	452,799
184,693	51,144	235,837
155	64,699	64,854
<u>\$ 713,971</u>	<u>\$ 730,160</u>	<u>\$ 1,444,131</u>

\$ 1,032,335	\$ 833,281	\$ 1,865,616
-	1,284,635	1,284,635
-	256,863	256,863

<u>\$ 1,032,335</u>	<u>\$ 2,374,779</u>	<u>\$ 3,407,114</u>
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Purcell Municipal Hospital
Purcell, 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 Purcell Municipal Hospital, 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 October 7, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Purcell Municipal Hospital'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 Purcell Municipal Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of Purcell Municipal Hospital'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.

Board of Trustees
Purcell Municipal Hospital

Compliance and Other Matters

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

Purpose of this Report

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

Ada, Oklahoma
October 7, 2013

