

**PURCELL MUNICIPAL HOSPITAL**

Financial Statements  
June 30, 2012 and 2011

With Independent Auditors' Report Thereon

# PURCELL MUNICIPAL HOSPITAL

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# PURCELL MUNICIPAL HOSPITAL

June 30, 2012

## 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, 2012. 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 increased during the fiscal year ending June 30, 2012. Net Assets increased by approximately \$648,000 or 9.7% 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 Assets, 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 Assets

The Balance Sheets, Statements of Revenues and Expenses, and Statements of Changes in Net Assets report the Hospital's net assets and how they have changed. Net assets, 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 assets are 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, 2012, total assets were approximately \$10,108,000 and Total Liabilities were approximately \$2,788,000. Operating Revenue of \$18,700,000 exceeded Operating Expense of \$18,331,000 resulting in Operating Net income of \$369,000.

## **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 \$5,745,000 or 21.6% 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 \$2,927,000 or 26.6%.

### **Operating Expenses**

Significant changes in operating expenses included the following:

Nursing Services expense increased \$173,559 or 4.8%.

Other Professional Services expense increased \$1,026,497 or 26.6%.

General Services expenses decreased 1.6% or approximately \$22,372.

Administrative service expenses increased by 16.3% or approximately \$478,530.

### **Non-operating Revenues and Expenses**

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

Interest Income decreased by \$7,965 or 63.9%.

### **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 increased during the year with a net increase in cash of \$71,484. Cash provided by operating activities increased by approximately \$94,400 over the prior year. This was due primarily to increases in Net Patient Services Revenues. Cash used for capital financing purposes increased by \$75,457 and cash used for investing activities decreased by \$364,250.

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

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2012, the Hospital had approximately \$12,445,000 invested in capital assets. The related accumulated depreciation was \$8,867,000. Depreciation charges for the year totaled \$367,000 compared to \$356,000 in the prior year.

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

**Debt**

At fiscal year-end 2012, the Hospital had approximately \$937,924 in outstanding debt, a decrease of \$396,174 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 2013, but anticipates that it will be better than 2012. 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.

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## Independent Auditors' Report

Board of Trustees  
Purcell Municipal Hospital  
Purcell, Oklahoma

We have audited the accompanying balance sheets of Purcell Municipal Hospital as of June 30, 2012 and 2011, and the related statements of revenues and expenses, 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.

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, 2012 and 2011, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 3, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of net patient service revenue, other operating revenue and operating expenses on pages 18 thru 20 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 12, 2012

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## PURCELL MUNICIPAL HOSPITAL

Balance Sheets  
June 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 598,824	\$ 527,340
Certificate of Deposit	95,000	95,000
Assets Whose Use Is Limited	364,695	371,547
Accounts Receivable		
Patients Net	4,221,664	2,832,924
Other	9,642	-
Amounts Due Under Cost Contracts	-	-
Inventories	48,528	45,419
Prepaid Expenses	59,546	87,016
Total Current Assets	<u>5,397,899</u>	<u>3,959,246</u>
<b>Assets Whose Use Is Limited</b>		
By Board for Capital Improvements	777,152	1,042,351
Under Indenture Agreement – Held By Trustee	447,613	445,070
Interest Receivable	-	218
Total Assets Whose Use Is Limited	<u>1,224,765</u>	<u>1,487,639</u>
Less: Amount Required to Meet Current Obligations	<u>(364,695)</u>	<u>(371,547)</u>
Noncurrent Assets Whose Use Is Limited	<u>860,070</u>	<u>1,116,092</u>
<b>Capital Assets</b>		
Property, Plant and Equipment	12,444,591	12,035,605
Less Accumulated Depreciation	<u>(8,866,923)</u>	<u>(8,500,606)</u>
Total Capital Assets, Net	<u>3,577,668</u>	<u>3,534,999</u>
<b>Other Assets</b>		
Notes Receivable - Net	260,354	292,362
Bond Origination Cost - Net	5,349	10,429
Total Other Assets	<u>265,703</u>	<u>302,791</u>
<b>Total Assets</b>	<u>\$ 10,101,340</u>	<u>\$ 8,913,128</u>

See accompanying notes to the financial statements.

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 400,199	\$ 404,140
Accounts Payable	1,105,414	334,145
Amounts Payable Under Cost Contracts	107,238	94,680
Accrued Expenses	<u>630,510</u>	<u>477,843</u>
Total Current Liabilities	<u>2,243,361</u>	<u>1,310,808</u>
Long-Term Debt, Net	<u>537,723</u>	<u>929,958</u>
Net Assets		
Unrestricted	7,320,186	6,672,292
Restricted	70	70
Total Net Assets	<u>7,320,256</u>	<u>6,672,362</u>
Total Liabilities and Net Assets	<u>\$ 10,101,340</u>	<u>\$ 8,913,128</u>

EXHIBIT B**PURCELL MUNICIPAL HOSPITAL**  
Statement of Revenues and Expenses  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Net Patient Service Revenue	\$ 18,460,196	\$ 15,641,942
Other Operating Revenue	239,918	202,436
Total Operating Revenue	<u>18,700,114</u>	<u>15,844,378</u>
Expenses		
Nursing Services	3,808,393	3,634,834
Other Professional Services	4,882,375	3,855,878
General Services	1,444,131	1,421,759
Administrative Services	3,407,114	2,928,584
Interest	73,290	91,408
Provision For Depreciation	371,740	356,660
Provision for Bad Debts	4,343,952	3,009,464
Total Expenses	<u>18,330,995</u>	<u>15,298,587</u>
Net Income (Loss) From Operations	369,119	545,791
Non-Operating Revenue		
Interest Income	4,496	12,461
EMR Incentive Payments	226,636	-
Donations	47,643	12,871
Change in Net Assets	<u>\$ 647,894</u>	<u>\$ 571,123</u>

See accompanying notes to the financial statements.

PURCELL MUNICIPAL HOSPITAL  
Statement of Changes in Net Assets  
Years Ended June 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Restricted</u>
Net Assets – June 30, 2010	\$ 6,101,169	\$ 70
Excess Revenue (Expenses)	571,123	-
Restricted Contributions	-	-
Net Assets Released From Restrictions	<u>-</u>	<u>-</u>
Net Assets – June 30, 2011	6,672,292	70
Excess Revenue (Expenses)	647,894	-
Restricted Contributions	-	-
Other Adjustments	<u>-</u>	<u>-</u>
Net Assets – June 30, 2012	<u>\$ 7,320,186</u>	<u>\$ 70</u>

See accompanying notes to the financial statements.

EXHIBIT D

PURCELL MUNICIPAL HOSPITAL  
Statement of Cash Flows  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activity		
Patient Service Revenue	\$ 12,740,062	\$ 12,057,366
Other Revenue	456,912	202,436
Unrestricted Donations	47,643	12,871
Income from Investments	4,496	12,461
Payments to Employees	(5,655,676)	(5,514,656)
Payments to Vendors and Suppliers	(6,939,612)	(6,218,975)
Net Cash Provided by Operating Activity	<u>653,825</u>	<u>551,503</u>
Cash Flows from Investing Activities		
Purchase of Capital Assets	(414,409)	(338,952)
Transfer (to) from assets whose use is limited	262,874	(5,875)
Reductions (Increases) in Notes Receivable	32,008	(138,950)
Net Cash Flows from Investing Activities	<u>(119,527)</u>	<u>(483,777)</u>
Cash Flows from Capital Financing Activities		
Principal Payments	(389,524)	(136,473)
Interest Payments	(73,290)	(91,408)
Net Cash Flows from Capital Financing Activities	<u>(462,814)</u>	<u>(227,881)</u>
Increase (Decrease) in Cash	71,484	(160,155)
Cash – Beginning	<u>527,340</u>	<u>687,495</u>
Cash – Ending	<u>\$ 598,824</u>	<u>\$ 527,340</u>
Cash Flow from Operating Activities		
Net Income From Operations	\$ 369,119	\$ 545,791
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	371,740	356,660
Interest Expense	73,290	91,408
Donations	47,643	12,871
Income from Investments	4,496	12,461
EMR Incentive Payments	226,636	-
Changes in Operating Assets and Liabilities		
Accounts Payable	936,494	148,609
Accounts Receivable	(1,398,382)	(719,792)
Other Assets	(1,572)	56,596
Prepays	27,470	31,005
Inventory	<u>(3,109)</u>	<u>15,894</u>
Net Cash Provided by Operations	<u>\$ 653,825</u>	<u>\$ 551,503</u>

See accompanying notes to the financial statements.

# PURCELL MUNICIPAL HOSPITAL

## Notes to the Financial Statements

June 30, 2012 and 2011

### 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 at June 30, 2012 and 2011.

**PURCELL MUNICIPAL HOSPITAL**

Notes to the Financial Statements

June 30, 2012 and 2011

**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.

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.

**PURCELL MUNICIPAL HOSPITAL**

Notes to the Financial Statements

June 30, 2012 and 2011

**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, 2012 and 2011:

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

	<u>2012</u>	<u>2011</u>
Insured (FDIC)	\$ 514,090	612,600
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	1,711,400	1,682,461
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>\$ 2,225,490</u>	<u>\$ 2,295,061</u>
Carrying Value	<u>\$ 1,918,588</u>	<u>\$ 2,109,759</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, 2012 and 2011 the carrying amount of the Hospital's deposits was \$1,918,588 and \$2,109,759 and the bank balance was \$2,225,490 and \$2,295,061 respectively. As of June 30, 2012 and 2011 the Hospital was not exposed to custodial credit risk.

**Note 3. Accounts Receivable - Patients**

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

	<u>2012</u>	<u>2011</u>
Patient Accounts	\$ 9,769,735	\$ 5,349,139
Less: Contractual Adjustments	2,639,364	1,690,577
Less: Allowance For Uncollectible Accounts	<u>2,908,707</u>	<u>925,638</u>
	<u>\$ 4,221,664</u>	<u>\$ 2,732,924</u>

**PURCELL MUNICIPAL HOSPITAL**

Notes to the Financial Statements

June 30, 2012 and 2011

**Note 4. Capital Assets**

Capital asset activity for the years ended June 30, 2012 and 2011 was as follows:

	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
<b>Total Capital Assets</b>	<b>12,035,605</b>	<b>415,714</b>	<b>-</b>	<b>6,729</b>	<b>12,444,590</b>
Less Accumulated Depreciation	8,500,606	371,740	-	5,423	8,866,923
	<u>8,500,606</u>	<u>371,740</u>	<u>-</u>	<u>5,423</u>	<u>8,866,923</u>
<b>Capital Assets - Net</b>	<b>\$ 3,534,999</b>	<b>\$ 43,974</b>	<b>\$ -</b>	<b>\$ 1,306</b>	<b>\$ 3,577,667</b>
	2011				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	\$ 23,186	\$ -		\$ -	\$ 23,186
Land Improvements	207,673	10,695	-	-	218,368
Building	5,371,886	-	-	-	5,371,886
Building Improvements	1,241,630	4,330	41,833	-	1,287,793
Fixed Equipment	1,144,283	7,773			1,152,056
Major Movable Equipment	3,724,473	217,444	-	64,071	3,877,846
Construction in Progress	7,120	139,183	(41,833)	-	104,470
<b>Total Capital Assets</b>	<b>11,720,251</b>	<b>379,425</b>	<b>-</b>	<b>64,071</b>	<b>12,035,605</b>
Less Accumulated Depreciation	8,167,544	333,062	-	-	8,500,606
	<u>8,167,544</u>	<u>333,062</u>	<u>-</u>	<u>-</u>	<u>8,500,606</u>
<b>Capital Assets - Net</b>	<b>\$ 3,552,707</b>	<b>\$ 46,363</b>	<b>\$ -</b>	<b>\$ 64,071</b>	<b>\$ 3,534,999</b>

**PURCELL MUNICIPAL HOSPITAL**

Notes to the Financial Statements

June 30, 2012 and 2011

**Note 5. Long-Term Debt**

The following is a summary of long-term debt at June 30, 2012 and 2011:

	Interest Rate	Maturity Date	2012				
			Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Revenue Bonds</b>							
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>
<b>Unamortized Deferred Loss on Bond Refinancing</b>							
			<u>(13,319)</u>	<u>-</u>	<u>6,668</u>	<u>(6,651)</u>	<u>-</u>
<b>Capital Leases</b>							
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>\$ 409,150</u>	<u>\$ 937,924</u>	<u>\$ 400,199</u>
<b>2011</b>							
	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Revenue Bonds</b>							
Revenue Bonds 2001 B Series	Varies	1/20/2012	\$ 1,360,000	\$ -	\$ 300,000	\$ 1,060,000	\$ 315,000
			<u>1,360,000</u>	<u>-</u>	<u>300,000</u>	<u>1,060,000</u>	<u>315,000</u>
<b>Unamortized Deferred Loss on Bond Refinancing</b>							
			<u>(22,052)</u>	<u>-</u>	<u>8,733</u>	<u>(13,319)</u>	<u>-</u>
<b>Capital Leases</b>							
Drug Dispenser	3.75%	10/30/2013	59,849	-	17,178	42,671	17,830
Hematology Analyzer	3.75%	2/20/2014	33,235	-	8,609	24,626	8,967
C-Arm	3.75%	2/20/2014	39,539	-	39,539	-	-
CT-Buy-Out	3.75%	10/10/2012	-	49,480	16,085	33,395	24,889
C-Arm	3.75%	11/30/2015	-	119,560	12,835	106,725	22,635
CHS-ERP	3.75%	7/1/2016	-	80,000	-	80,000	14,819
			<u>132,623</u>	<u>249,040</u>	<u>94,246</u>	<u>287,417</u>	<u>89,140</u>
			<u>\$ 1,470,571</u>	<u>\$ 249,040</u>	<u>\$ 402,979</u>	<u>\$ 1,334,098</u>	<u>\$ 404,140</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.

**PURCELL MUNICIPAL HOSPITAL**

Notes to the Financial Statements

June 30, 2012 and 2011

**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
2013	\$ 75,199	\$ 6,048	\$ 325,000	\$ 39,695
2014	53,124	3,684	420,000	22,470
2015	41,925	1,912	-	-
2016	29,327	457	-	-
2017	-	-	-	-
	<u>\$ 199,575</u>	<u>\$ 12,101</u>	<u>\$ 745,000</u>	<u>\$ 62,165</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, 2012. Total rental expense in 2012 and 2011, for all operating leases was approximately \$151,441 and \$216,240, respectively.

**Note 7. Restricted Net Assets**

Temporarily restricted Net Assets is available for the following purposes.

	2012	2011
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.

	2011	2010
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 \$287,146 and \$237,350 for June 30, 2012 and 2011.

**PURCELL MUNICIPAL HOSPITAL**

Notes to the Financial Statements

June 30, 2012 and 2011

**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, 2009.

**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.

**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, 2012 and 2011, was as follows:

	<u>2012</u>	<u>2011</u>
Medicare and Medicaid	80.4%	79.1 %
Other Third-Party Payors	13.5%	7.6 %
Patients (Private Pay)	6.1%	13.3 %
	<u>100.0%</u>	<u>100.0 %</u>

## **PURCELL MUNICIPAL HOSPITAL**

### **Notes to the Financial Statements**

**June 30, 2012 and 2011**

#### **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 2012 and 2011 the hospital contributed \$89,014 and \$51,333 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.

SUPPLEMENTAL INFORMATION

SCHEDULE 1**PURCELL MUNICIPAL HOSPITAL**  
Schedule of Net Patient Service Revenue  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Daily Patient Services		
Medical and Surgical	\$ 1,521,023	\$ 1,298,121
Intensive Care	49,955	314,280
Newborn	16,150	17,910
	<u>1,587,128</u>	<u>1,630,311</u>
Total Daily Patient Services		
Other Nursing Services		
Operating and Recovery Rooms	691,350	1,157,810
Delivery Room	7,579	5,955
Central Services and Supply	91,423	96,295
Emergency Services	8,199,033	6,347,472
Intravenous Therapy	668,577	510,539
Observation Room	88,308	67,422
	<u>9,746,270</u>	<u>8,185,493</u>
Total Other Nursing Services		
Other Professional Services		
Pain Management	4,748,496	-
Laboratory	5,210,419	4,853,811
Electrocardiology	458,275	403,305
Radiology	6,213,252	6,594,239
Pharmacy	1,738,949	1,599,424
Anesthesiology	17,686	9,480
Respiratory Therapy	1,038,609	936,269
Physical Therapy	284,556	426,535
Speech Therapy	2,907	6,892
Clinics	1,348,708	2,004,307
	<u>21,061,857</u>	<u>16,834,262</u>
Total Other Professional Services		
Total Patient Service Revenue	32,395,255	26,650,066
Less Contractual Adjustments		
Medicare	5,487,445	4,205,457
Medicaid	2,661,908	2,303,385
Discounts and Other Allowances	5,785,706	4,499,282
	<u>13,935,059</u>	<u>11,008,124</u>
Net Patient Service Revenue	<u>\$ 18,460,196</u>	<u>\$ 15,641,942</u>

SCHEDULE 2**PURCELL MUNICIPAL HOSPITAL**  
Other Operating Revenue  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cafeteria Sales	\$ 36,733	\$ 34,138
Purchase Discounts	5,739	22,292
Medical Records Fees	4,137	4,618
Sale of Scrap and Waste	291	6,954
Clinic Rental	121,369	126,808
Miscellaneous	<u>71,649</u>	<u>7,626</u>
Total Other Operating Revenue	<u>\$ 239,918</u>	<u>\$ 202,436</u>

## PURCELL MUNICIPAL HOSPITAL

Patient Service Expenses  
Years Ended June 30, 2012 and 2011

	2012		
	Salaries	Other	Total
<b>Nursing Services</b>			
Medical and Surgical	\$ 1,328,626	\$ 121,433	\$ 1,450,059
Intensive Care	-	-	-
Newborn Nursery	-	-	-
Operating and Recovery Rooms	246,332	139,622	385,954
Labor and Delivery Room	-	2,689	2,689
Central Services and Supply	-	11,483	11,483
Emergency Services	609,863	1,300,202	1,910,065
Intravenous Therapy	-	48,143	48,143
<b>Total Nursing Services</b>	<b>\$ 2,184,821</b>	<b>\$ 1,623,572</b>	<b>\$ 3,808,393</b>
<b>Other Professional Services</b>			
Pain Management	\$ 9,114	\$ 1,109,029	\$ 1,118,143
Laboratory	409,213	618,328	1,027,541
Electrocardiology	43,447	-	43,447
Radiology	447,233	433,834	881,067
Pharmacy	73,611	328,029	401,640
Anesthesiology	-	197,191	197,191
Respiratory Therapy	145,334	19,419	164,753
Physical Therapy	156,863	16,051	172,914
Clinic	592,401	283,278	875,679
<b>Total Other Professional Services</b>	<b>\$ 1,877,216</b>	<b>\$ 3,005,159</b>	<b>\$ 4,882,375</b>
<b>General Services</b>			
Dietary	\$ 150,281	\$ 110,861	\$ 261,142
Medical Records	263,378	166,121	429,499
Plant Engineering	115,464	337,335	452,799
Housekeeping	184,693	51,144	235,837
Laundry and Linen	155	64,699	64,854
<b>Total General Services</b>	<b>\$ 713,971</b>	<b>\$ 730,160</b>	<b>\$ 1,444,131</b>
<b>Administrative Services</b>			
Administrative and Business Offices	\$ 1,032,335	\$ 833,281	\$ 1,865,616
Employee Benefits	-	1,284,635	1,284,635
Insurance	-	256,863	256,863
<b>Total Administrative Services</b>	<b>\$ 1,032,335</b>	<b>\$ 2,374,779</b>	<b>\$ 3,407,114</b>

2011

Salaries	Other	Total
\$ 1,211,356	\$ 268,413	\$ 1,479,769
-	-	-
-	2,565	2,565
221,448	112,444	333,892
7,361	3,148	10,509
-	13,808	13,808
558,846	1,196,283	1,755,129
-	39,162	39,162
<u>\$ 1,999,011</u>	<u>\$ 1,635,823</u>	<u>\$ 3,634,834</u>
\$ -	\$ -	\$ -
403,866	583,404	987,270
40,185	-	40,185
454,489	514,668	969,157
69,487	372,312	441,799
-	195,931	195,931
137,163	17,973	155,136
180,654	18,702	199,356
666,196	200,848	867,044
<u>\$ 1,952,040</u>	<u>\$ 1,903,838</u>	<u>\$ 3,855,878</u>
\$ 139,476	\$ 138,950	\$ 278,426
263,925	134,905	398,830
109,719	372,228	481,947
153,659	42,906	196,565
-	65,991	65,991
<u>\$ 666,779</u>	<u>\$ 754,980</u>	<u>\$ 1,421,759</u>
\$ 902,584	\$ 645,971	\$ 1,548,555
-	1,120,406	1,120,406
-	259,623	259,623
<u>\$ 902,584</u>	<u>\$ 2,026,000</u>	<u>\$ 2,928,584</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Trustees  
Purcell Municipal Hospital  
Purcell, Oklahoma

We have audited the financial statements of Purcell Municipal Hospital as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

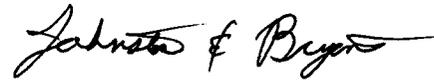
**Compliance and Other Matters**

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

The Board of Trustees  
Purcell Municipal Hospital  
Purcell, Oklahoma  
Page 2

This report is intended solely for the information and use of management, board of trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 12, 2012

A handwritten signature in black ink, appearing to read "John & Bryan". The signature is written in a cursive style with a long horizontal flourish extending to the right.