

Chelsea Medical Center Authority

Financial Statements
and
Independent Auditor's Reports

For the Fiscal Year Ended June 30, 2013

Chelsea Medical Center Authority
Rogers County, Oklahoma

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Independent Auditor's Report

Board of Trustees
Chelsea Medical Center Authority
Rogers County, Oklahoma

I have audited the accompanying financial statements of *Chelsea Medical Center Authority* which comprise the Statement of Net Assets as of June 30, 2013 and the related Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows for the year then ended, and the related notes to 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgment, including the assessment of 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of *Chelsea Medical Center Authority* as of June 30, 2013, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 19, 2013 on my consideration of the *Chelsea Medical Center Authority* internal control over financial reporting and my tests of 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 my testing of internal control over financial reporting or on 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 *Mayes Emergency Services Trust Authority's* internal control over financial reporting and compliance.


Violet F. Kirkendall CPA, PC
Certified Public Accountant

September 19, 2013

Violet F. Kirkendall CPA, PC
Certified Public Accountants
405 W. Claremore St.
Claremore, OK 74017
(918) 342-5474

Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Chelesa Medical Authority

I 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 the business-type activities of *Chelsea Medical Center Authority* as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise which comprise *Chelsea Medical Center Authority* basic financial statements, and have issued my report thereon dated September 19, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the *Chelsea Medical Center Authority* internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the *Chelsea Medical Center Authority* internal control.

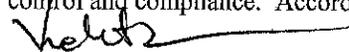
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the *Chelsea Medical Center Authority* financial statements are free of material misstatement, I performed tests of the 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Violet F. Kirkendall CPA, PC
Certified Public Accountant

September 19, 2013

Chelsea Medical Center Authority
Rogers County, Oklahoma
Statement of Net Assets
June 30, 2013

ASSETS

Current Assets:

Cash in Bank	\$ 56,922.06
Certificates of Deposit	21,984.15
Notes receivable	115,347.35
Prepaid Insurance	<u>3,216.68</u>
<i>Total Current Assets</i>	<u>197,470.24</u>

Capital Assets:

Property, Plant and Equipment (net of accumulated depreciation)	<u>446,667.19</u>
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Total Assets

644,137.43

LIABILITIES AND FUND NET ASSETS

Current Liabilities:

Notes Payable – Current	24,070.33
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Non-Current Liabilities:

Note Payable	<u>97,145.82</u>
Total Liabilities	<u>121,216.15</u>

Fund Net Assets:

Invested in fixed assets, net of accumulated depreciation	325,451.04
Unrestricted	<u>197,470.04</u>
Total Fund Net Assets	<u>\$ 522,921.28</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Chelsea Medical Center Authority
Rogers County, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2013

<u>Operating Revenues:</u>	
Rental Income	\$ <u>24,830.00</u>
<u>Operating Expenses:</u>	
Depreciation	13,783.41
Insurance	4,053.59
Maintenance/Repairs	1,379.05
Other	500.00
Professional fees	<u>1,100.00</u>
<i>Total Operating Expenses</i>	<u>20,816.05</u>
Net Income (Loss) from Operations	<u>4,013.95</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest expense	(6,671.37)
Interest income	<u>6,721.52</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>50.15</u>
Changes in Fund Net Assets	4,064.10
Fund Net Assets -- Beginning	<u>518,857.18</u>
Fund Net Assets -- Ending	<u>\$ 522,921.28</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Chelsea Medical Center Authority
Rogers County, Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2013

<u>Cash Flows from Operating Activities</u>	
Cash received from rental activities	\$ 24,830.00
Cash payments to other suppliers of goods and services	(7,755.05)
Net Cash Provided (Used) by Operating Activities	<u>17,074.95</u>
 <u>Cash Flows from Non-Capital Financing Activities</u>	
	<u>0.00</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Interest paid on long-term debt	(6,671.37)
Principal payments/receipts on long term debt	(23,293.35)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(29,964.72)</u>
 <u>Cash Flows from Investing Activities</u>	
Decrease in notes receivable	18,189.51
Interest on investments	6,721.52
Net Cash Provided (Used) by Investing Activities	<u>24,911.03</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,021.26
Cash and Cash Equivalents – Beginning	66,884.95
Cash and Cash Equivalents – Ending	<u>\$ 78,906.21</u>
 <u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Net Income (Loss) from Operations	\$ 4,013.95
 Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation/Amortization	13,783.41
Changes in Assets and Liabilities:	
Increase in prepaid insurance	(722.41)
Net Cash Provided by Operating Activities	<u>\$ 17,074.95</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Chelsea Medical Center Authority

Rogers County, Oklahoma

Notes to the Financial Statements

For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies

The *Chelsea Medical Center Authority* was established as a Public Trust on behalf of the *Town of Chelsea, Oklahoma* as the beneficiary. The Trust is for the use and benefit of the Beneficiary, for the public purposes and functions hereinafter set forth, under the provisions of Title 60, Oklahoma Statutes, inclusive the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma.

The purposes of the Trust is to provide medical and nursing home facilities to the citizens of the Town of Chelsea and individuals in the surrounding area.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

The Authority adopted the provisions of GASB Statement No. 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*" in fiscal year 2005. Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section, a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components—invested in capital assets, net of related debt; restricted; and unrestricted.

The adoption of Statement 34 had no effect on the basic financial statements except for the classification of net assets, the reflection of capital contributions as a change in net assets and the inclusion of a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, "*The Financial Reporting Entity.*" This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Chelsea Medical Center Authority
Rogers County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "*economic resources*" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Fair Value of Financial Instruments

The Authority's financial statements include cash and investments. The Authority's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Capital Assets

The fixed assets are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years.

Chelsea Medical Center Authority
Rogers County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

D. Assets, Liabilities and Net Assets (continued)

4. Restricted Cash

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use.

5. Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets --- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets --- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

6. Use of Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Income Taxes

The Authority is a political subdivision of the State of Oklahoma and is exempt from income tax under Section 115 (A) of the Internal Revenue Service Code.

8. Legal Compliance

Stewardship compliance, and accountability are key concepts in defining the responsibilities of the *Chelsea Medical Center Authority*.

II. Detailed Notes Concerning the Funds

A. Deposits and Investments

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Authority invests entirely in certificates of deposit.

Chelsea Medical Center Authority
Rogers County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2013

D. Note Payable

The organization has a note agreement with Bank of Commerce in the original amount of \$335,538. The agreement requires monthly payments of \$2,071.74 per month. The note has an interest rate of 5.25%. The balance at June 30, 2013 was \$115,347.35.

The organization has a note agreement with Gene Paul Flood in the original amount of \$22,000. The agreement requires monthly payments of \$425.32 per month. The note has an interest rate of 6%. The balance at June 30, 2013 was \$5,868.80.

The note matures as follows:

Year Ending June 30,	Principal
2014	\$ 24,070.33
2015	22,818.82
2016	21,403.24
2017	22,554.35
2018	30,369.41
	-
	<u>\$ 121,216.15</u>

The following is a schedule of the changes in long term debt for the current year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Note Payable - BOC	<u>\$ 145,358.33</u>	<u>\$ -</u>	<u>\$ 24,142.18</u>	<u>\$ 121,216.15</u>

Chelsea Medical Center Authority
Rogers County, Oklahoma
Schedule of Audit Findings
June 30, 2013

A. Audit Findings – Prior Year

NONE

B. Audit Findings – Current Year

Compliance

NONE

Internal Control Over Financial Reporting

NONE

C. Questioned Costs

NONE