

Healdton Municipal Hospital Authority

Financial Statements

June 30, 2014

Healdton Municipal Hospital Authority
Financial Statements
For the Fiscal Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Healdton Municipal Hospital Authority
Healdton, Oklahoma

We have audited the accompanying financial statements of Healdton Municipal Hospital Authority (a public trust and agency of the State of Oklahoma,) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Healdton Municipal Hospital Authority's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 modified cash basis financial position of Healdton Municipal Hospital Authority as of June 30, 2014, and the changes in modified cash basis financial position and its cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 May 15, 2018 on our consideration of the Healdton Municipal Hospital Authority'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 Healdton Municipal Hospital Authority's internal control over financial reporting and compliance

A handwritten signature in cursive script that reads "Mary E. Johnson & Associates PLLC".

Ardmore, Oklahoma
May 15, 2018

Healdton Municipal Hospital Authority
Statement of Net Position– Modified Cash Basis
June 30, 2014

ASSETS

Current Assets

Cash and cash equivalent	\$ 127,384
Total current assets	<u>127,384</u>

Noncurrent assets

Investments	1,227,238
Capital assets not being depreciated	8,931
Capital assets being depreciated, net	<u>404,310</u>

Total noncurrent assets	<u>1,640,479</u>
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Total assets	<u>\$ 1,767,863</u>
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LIABILITIES

NET POSITION

Net investment in capital assets	413,240
Unrestricted	<u>1,354,623</u>
Total net position	<u>\$ 1,767,863</u>

The notes to the financial statements are an integral part of this statement

Healdton Municipal Hospital Authority
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2014

Operating revenues	
Hospital Lease Revenue	<u>\$ 162,500</u>
Operating expenses	
Repairs and Maintenance	\$ 2,979
Professional Fees	98
Insurance	711
Depreciation	39,499
Bank and Postal Fees	<u>93</u>
Total operating expenses	<u>\$ 43,380</u>
Operating Income	\$ 119,120
Nonoperating revenues (expenses)	
Investment return	<u>6,594</u>
Change in Net Position	125,714
Net Position, Beginning of Year	<u>1,642,149</u>
Net Position, End of Year	<u><u>\$ 1,767,863</u></u>

The notes to the financial statements are an integral part of this statement

Healdton Municipal Hospital Authority
Statement of Cash Flows – Modified Cash Basis
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts of Lease of Hospital	\$ 162,500
Payments to Vendors for costs	<u>(3,881)</u>
Net Cash Provided by Operating Activities	<u>158,619</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>(5,810)</u>
Net Cash Used by Capital Financing Activities	<u>(5,810)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of interest on investments	6,594
Purchase of investments	<u>(206,377)</u>
Net Cash Used by Investing Activities	<u>(199,783)</u>

Net Decrease in Cash and Cash Equivalents (46,974)

Cash and Cash Equivalents, Beginning of Year	<u>174,358</u>
Cash and Cash Equivalents, End of Year	<u>\$ 127,384</u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating Income	\$ 119,120
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities	
Depreciation	<u>39,499</u>

Net Cash Provided by Operating Activities \$ 158,619

The notes to the financial statements are an integral part of this statement

Healdton Municipal Hospital Authority
Notes to Financial Statements
June 30, 2014

NOTE 1 - NATURE OF OPERATIONS

The Healdton Municipal Hospital Authority (the Authority) is a public trust and agency of the State of Oklahoma. It was created by a Trust Indenture dated January 29, 2001, (the "Trust Indenture"). The beneficiary of the Trust is the City of Healdton, Oklahoma. The Authority leases the Healdton Municipal Hospital facility to a third party provider who provides inpatient and outpatient services for the citizens of Healdton, Oklahoma and surrounding areas..

This Trust shall have duration for the term of duration of the beneficiary and until such time as its purposes shall have been fully fulfilled or until it shall be terminated as provided by the Trust Indenture.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements include the basic financial statements required for special-purpose governments that have only business-like activities financed by fees charged to external parties.

Measurement Focus

Business-like activities utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net position and cash flows. All assets, liabilities associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board (GASB). This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation arising from cash transactions or events.

Healdton Municipal Hospital Authority
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value. If GAAP basis was used, the statements would be presented on the accrual basis of accounting.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to include demand deposits, and highly liquid investments with original maturities of three months or less.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit acquired with cash whose original term exceeds three months. Investments are carried at cost, which approximates fair value.

Revenues and Expenses

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Healdton Municipal Hospital Authority
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

The modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. Capital assets are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 5-10 years. Maintenance and repairs are expensed as incurred.

Net position

Net position is classified and displayed in three components:

Net investment in capital assets. Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt that are attributable to the acquisition, construction or improvements of those assets.

Restricted. Consists of restricted assets reduced by liabilities related to those assets, with restriction constraints placed on the use either by external groups or laws and regulations of other governments, constitutional provisions or enabling legislation.

Unrestricted. Net amounts of assets and liabilities that are not included in the determination of net investment in capital assets or restricted component of net position.

It is the Authority's policy to first use restricted net resources prior to the use of unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk- Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, The Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk but follows state and local laws. The Authority was not exposed to deposit custodial credit risk as of June 30, 2014.

Healdton Municipal Hospital Authority
Notes to Financial Statements
June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk- Investments

Investments are limited by State law to the following:

1. Direct obligations of the U.S. Government and its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposits, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
4. County, municipal, or school district tax-supported debt obligations; bonds or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administration and in obligations of the National Mortgage Association.
6. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in (1) to (5).
- 7.

During the year ended June 30, 2014, the Authority's investments consisted solely of certificates of deposit whose original maturity term exceeds 3 months. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits' risk analysis.

Healdton Municipal Hospital Authority
Notes to Financial Statements
June 30, 2014

NOTE 4 - CAPITAL ASSETS

As of June 30, 2014, capital asset activity resulting from modified cash basis transactions and events consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 8,931	\$ -	\$ -	\$ 8,931
Total capital assets, not being depreciated	<u>8,931</u>	<u>-</u>	<u>-</u>	<u>8,931</u>
<i>Capital assets, being depreciated</i>				
Building	1,059,436	-	-	1,059,436
Equipment	253,356	5,810	-	259,166
Total capital assets, being depreciated	<u>1,312,792</u>	<u>5,810</u>	<u>-</u>	<u>1,318,602</u>
Less Accumulated Depreciation	<u>(874,793)</u>	<u>(39,499)</u>	<u>-</u>	<u>(914,292)</u>
Total capital assets, being depreciated, net	<u>437,999</u>	<u>(39,499)</u>	<u>-</u>	<u>404,310</u>
Capital assets, net	<u>\$ 446,930</u>	<u>\$ (39,499)</u>	<u>\$ -</u>	<u>\$ 413,241</u>

NOTE 5 – LEASE AGREEMENT

On July 1, 2008, the Authority entered into an agreement to lease the hospital facility for a seven year period from the commencement date (July 1, 2015). The Authority receives \$150,000 per year until the lease is terminated, payable in installments of \$12,500 per month. The lease can be terminated at any time upon 180 day written notice to the Authority. Concurrent with the termination date, the Authority would be entitled to an amount equal to two times the average monthly cash flow from operation of the facilities during the twelve month period preceding the exercise of the 180 day termination provision. Upon termination, the Authority has the option to purchase any equipment and other personal property for its fully depreciation residual value. In June, 2015, this lease was renewed for another 7 years through July 1, 2022.

The capital assets being leased have a cost of \$1,318,602, accumulated depreciation of \$914,292 and carrying value of \$404,310.



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
Healdton Municipal Hospital Authority
Norman, Oklahoma

We have audited, audit 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 Healdton Municipal Hospital Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise Healdton Municipal Hospital Authority's basic financial statements and have issued our report thereon dated May 15, 2018. Our report on the financial statements disclosed, that as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Healdton Municipal Hospital Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Healdton Municipal Hospital Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Healdton Municipal Hospital Authority'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Healdton Municipal Hospital Authority'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 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.

Mary E Johnson & Associates PLLC

Ardmore, Oklahoma
May 15, 2018