STROUD HOSPITAL AND DEVELOPMENT AUTHORITY
(a Component Unit of the City of Stroud, Oklahoma)

FINANCIAL STATEMENTS

JUNE 30, 2014

WITH

INDEPENDENT AUDITOR'S REPORT

Stroud Hospital and Development Authority
(a component unit of the City of Stroud, Oklahoma)
June 30, 2014

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Independent Auditor's Report

Board of Trustees
Stroud Hospital and Development Authority
Stroud, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of Stroud Hospital and Development Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as 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 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

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 the standards applicable to financial audits contained in *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 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, 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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stroud Hospital and Development Authority as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Stroud Hospital and Development Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 1, 2015 on my consideration of the Authority's internal control over financial reporting and on my 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 my 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
June 1, 2015

STROUD HOSPITAL AND DEVELOPMENT AUTHORITY
(a Component Unit of the City of Stroud, Oklahoma)

STATEMENT OF NET POSITION

June 30, 2014

Assets	
Current Assets	
Cash	$ 58,403
Investments	1,794,289
Total current assets	1,852,692
Noncurrent Assets	
Buildings, net of accumulated depreciation	395,674
Total noncurrent assets	395,674
Total assets	2,248,366
Liabilities	
Current liabilities:	16,879
Total current liablilites	16,879
Total liabilities	16,879
Net position	
Invested in capital assets, net of related debt	395,674
Unrestricted	1,835,813
Total net position	2,231,487

See notes to financial statements

STROUD HOSPITAL AND DEVELOPMENT AUTHORITY
(a Component Unit of the City of Stroud, Oklahoma)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2014

Operating revenues:	
Rent income	$30,000
Fuel revenue	1,559
Total operating revenues	31,559
Operating expenses:	
Legal and professional	2,150
Fuel expense	7,752
Depreciation	13,261
Other expenses	10,593
Total operating expenses	33,756
Operating loss	(2,197)
Non-operating revenues:	
Interest and investment income	20,969
Total non-operating revenues	20,969
Income (loss) before other revenues, gains, losses and transfers	18,772
Capital Contributions, Special and Extraordinary Items and Transfers	
Transfers to primary government	(106,009)
Total Capital Contributions, Special and Extraordinary Items and Transfers	(106,009)
Change in net position	(87,237)
Net position, beginning of year	2,318,724
Net position, end of year	$ 2,231,487

See notes to the financial statements

STROUD HOSPITAL AND DEVELOPMENT AUTHORITY
(a Component Unit of the City of Stroud, Oklahoma)

Statement of Cash Flows
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$31,559
Payment to suppliers	(5,412)
Payments to employees	0
Net cash provided (used) by operating activities	26,147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to primary government	(106,009)
Net cash provided (used by noncapital financing activities)	(106,009)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from / (paid) debt issuance	0
(Acquistion) disposition of capital assets and	0
projects	0
Capital contributions	0
Net cash provided (used) by capital and related financing activities	0
CASH FLOWS INVESTING ACTIVITIES	
(increase) decrease in investments	$50,482
Interest received	20,969
Net cash provided (used) by investing activities	71,451
Net increase (decrease) in cash equivalents	(8,411)
Cash and cash equivalents, beginning of the year	66,814
Cash and cash equivalents, end of the year	$58,403

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Operating Income/(loss)	(2,197)
Increase in accounts payable	15,083
Depreciation expense	13,261
Net cash provided by (used in) operating activities	$26,147

See notes to the financial statements

STROUD HOSPITAL AND DEVELOPMENT AUTHORITY
(a Component Unit of the City of Stroud, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1- Summary of Significant Accounting Policies

Organization

The Stroud Hospital and Development Authority (the Authority) (a Component Unit of the City of Stroud, Oklahoma), is a public trust created April 1, 1976, with the City of Stroud, Oklahoma as beneficiary. The Board of Trustees is made up of five individuals subject to approval of the City Council of the Town of Stroud. The Authority is an agency of the State of Oklahoma.

The purpose of the Authority is to promote economic development within and near Stroud, Oklahoma by financing the growth and development of the agricultural, commercial, health care and industrial resources of the Town of Stroud.

Basis of presentation

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction take place. Operating revenues and expenses include exchange transactions. Investment income is included in nonoperating revenues and expenses.

The Authority prepares its financial statements in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Capital assets

Capital assets are recorded at cost and are depreciated under the straight-line method over the estimated useful lives of the respective assets. Donated capital assets are valued at the estimated fair value at the date of donation. Maintenance and repairs are charged to operations when incurred, and improvements are capitalized. As of June 30, 2014, the Authority had $395,674 in net capital assets which consist of a medical clinic building in Stroud, Oklahoma. Depreciation expense is $13,261 for the year ended June 30, 2014.

Income taxes

No provision has been made for federal and state income taxes since the Authority is a tax-exempt organization as an agency of the State of Oklahoma.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Net position

The Authority's net position is classified as follows:

Invested in capital assets: This represents the Authority's total investment in capital assets, net of outstanding debt obligations and accounts payable related to those capital assets.

Restricted net position: Restricted net position includes resources in which the Authority is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The Authority had no such assets as of June 30, 2014.

Unrestricted net position: Unrestricted net position represents resources derived from all other sources not included in the other two categories.

Note 2- Cash and Short-term Investments

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Authority considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments at June 30, 2014 consisted of fixed income securities held by the pledging financial institution's trust department or agent in the entity's name. The carrying amount of the Authority's investments approximates market value.

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority's deposits were fully covered by FDIC insurance and securities held by the pledging financial institution's trust department or agent in the entity's name at June 30, 2014.

The Authority had deposits at financial institutions with a carrying amount of approximately $58,403 at June 30, 2014. The bank balance of the deposits at June 30, 2014 were approximately $56,923.

Note 3 –Capital Asset Activity

A summary of the changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance June 30 ,2013	Additions	Disposals	Balance June 30 ,2014
Capital assets, being depreciated:				
Buildings	530,439			530,439
Total capital assets, being depreciated	530,439	0	0	530,439
Accumulated Depreciation				
Buildings	121,504	13,261	0	134,765
Total accumulated depreciation	121,504	13,261	0	134,765
Capital assets, net	408,935	(13,261)	0	395,674

Note 5- Transfer to Primary Government

During the fiscal year, the Authority transferred $106,009 to airport projects of the City of Stroud. The assets purchased with these funds were transferred to the City and there is no obligation to repay the Authority for the contribution.

Note 6- Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City of Stroud carries risk insurance, but the Authority is not covered by this policy.

Note 7- Subsequent Events

The Authority has considered subsequent events through June 1, 2015, the date which the financial statements were available for release. The Authority is not aware of any items which need to be disclosed during that period.

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INDEPENDENT AUDITOR'S 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
Stroud Hospital Authority
Stroud, Oklahoma

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 Stroud Hospital Authority (Authority), which comprise the balance sheet as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 1, 2015.

Internal Control Over Financial Reporting

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

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 and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 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.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
June 1, 2015