

STROUD HOSPITAL AUTHORITY
(a Component Unit of the Town of Stroud, Oklahoma)

FINANCIAL STATEMENTS

JUNE 30, 2011

WITH

INDEPENDENT AUDITOR'S REPORT

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STROUD HOSPITAL AUTHORITY
(a Component Unit of the Town of Stroud, Oklahoma)
June 30, 2011

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is intended to aid the reader in recognizing any significant issues and changes in the financial position of Stroud Industrial Authority. The MD&A should be used in conjunction with the financial statements and notes as a whole.

Financial Statements

Condensed Statement of Net Assets

	<u>2011</u>
Current assets	\$1,859,291
Long-term assets	<u>435,457</u>
Total assets	<u><u>\$2,294,748</u></u>
Current liabilities	\$0
Long-term liabilities	<u>0</u>
Total liabilities	<u><u>\$0</u></u>
Net assets:	
Invested in capital assets	435,457
Unrestricted	<u>1,859,291</u>
Total liabilities and net assets	<u><u>\$2,294,748</u></u>

As of June 30, 2011, Stroud Hospital Authority's current assets of \$1,859,291 consisted entirely of unrestricted authority cash and investments. Long term assets consisted of a capital asset, the medical clinic in Stroud, Oklahoma.

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2011</u>
Operating Revenues	<u>\$0</u>
Total operating revenue	0
Operating Expenses:	
Legal and Accounting	4,360
Economic Development	3,000
Depreciation	13,261
Total expenses	<u>20,621</u>
Operating loss	<u>(20,621)</u>
Non-operating income	37,759
Non-operating expenses	<u>0</u>
Change in net assets	<u><u>\$17,138</u></u>

Non-operating revenues include \$7,500 rent income from the lease of the Stroud Family Medical Clinic facilities. The Authority also reported \$30,259 in interest and investment income from its cash and investments.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stroud Hospital Authority


I have audited the accompanying statement of net assets of Stroud Hospital Authority (the Authority)(a Component Unit of the City of Stroud, Oklahoma), as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 December 2, 2011, on my consideration of the Authority's internal control over financial reporting and 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 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 my audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages i and ii be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Stroud, Oklahoma
December 2, 2011

STROUD HOSPITAL AUTHORITY
(a Component Unit of the Town of Stroud, Oklahoma)

STATEMENT OF NET ASSETS

June 30, 2011

	<u>2011</u>
Assets	
Current Assets	
Cash	\$ 56,492
Investments	<u>1,802,799</u>
Total current assets	<u>1,859,291</u>
Noncurrent Assets	
Buildings, net of accumulated depreciation	435,457
Total noncurrent assets	<u>435,457</u>
Total assets	<u><u>2,294,748</u></u>
Liabilities	
Current liabilities:	<u>0</u>
Total current liabilities	<u>0</u>
Total liabilities	<u>0</u>
Net assets	
Invested in capital assets, net of related debt	435,457
Unrestricted	<u>1,859,291</u>
Total net assets	<u>2,294,748</u>
Total liabilities and net assets	<u><u>\$2,294,748</u></u>

See notes to financial statements

Stroud Hospital Authority
(a Component Unit of the Town of Stroud, Oklahoma)

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Year ended June 30, 2011

	<u>2011</u>
Operating revenues:	<u>\$0</u>
Total operating revenues	<u>0</u>
Operating expenses:	
Legal and Accounting	4,360
Economic Development	3,000
Depreciation	13,261
Total operating expenses	<u>20,621</u>
Operating loss	<u>(20,621)</u>
Non-operating revenues:	
Miscellaneous Income	7,500
Interest and investment income	30,259
Total non-operating revenues	<u>37,759</u>
Income (loss) before other revenues, gains, losses and transfers	17,138
Capital Contributions, Special and Extraordinary Items and Transfers	<u>0</u>
Total Capital Contributions, Special and Extraordinary Items and Transfers	0
Change in net assets	<u>17,138</u>
Net assets, beginning of year	1,828,892
Prior Period Adjustment	448,718
Net assets, end of year	<u><u>\$ 2,294,748</u></u>

See notes to the financial statements

Stroud Hospital Authority
(a Component Unit of the Town of Stroud, Oklahoma)

Statement of Cash Flows
For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$0
Payment to suppliers	(7,360)
Payments to employees	<u>0</u>
Net cash provided (used) by operating activities	<u>(7,360)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Rental proceeds	7,500
Operating transfers in (out)	<u>0</u>
Net cash provided (used) by noncapital financing activities	<u>7,500</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from / (paid) debt issuance	0
(Acquisition) disposition of capital assets and projects	0
Capital contributions	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>0</u>

CASH FLOWS INVESTING ACTIVITIES

(increase) decrease in investments	(\$30,161)
Interest received	<u>30,259</u>
Net cash provided (used) by investing activities	<u>98</u>

Net increase (decrease) in cash equivalents 238

Cash and cash equivalents, beginning of the year 56,254

Cash and cash equivalents, end of the year \$56,492

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

Operating Income/(loss)	(20,621)
Depreciation expense	<u>13,261</u>

Net cash provided by (used in) operating activities (\$7,360)

Cash classified as:
 Unrestricted \$56,492

See notes to the financial statements

STROUD HOSPITAL AUTHORITY
(a Component Unit of the Town of Stroud, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1- Summary of Significant Accounting Policies

Organization

The Stroud Hospital Authority (the Authority) (a Component Unit of the Town of Stroud, Oklahoma), is a public trust created April 1, 1976, with the Town 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 as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements. The Authority uses the accrual basis of accounting under which revenues are accrued as earned and expenses are recorded as they are incurred.

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. Maintenance and repairs are charged to operations when incurred, and improvements are capitalized. As of June 30, 2011, the Authority had \$435,457 in net capital assets which consist of a medical clinic building in Stroud, Oklahoma.

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 assets

The Authority's net assets are 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 assets: Restricted net assets include 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, 2011.

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

Classification of revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis* – for State and Local Governments investment income.

Note 2- Cash and Short-term Investments

Investments at June 30, 2011 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, 2011.

Note 3 –Nonoperating Revenues

Non-operating revenues consisted of rental income of the Stroud Family Medical Clinic facility in the amount of \$7,500 and interest and investment income of \$30,259.

The Authority rents the medical clinic to Rural Hospital Acquisitions (RHA) on a monthly basis. The RHA is currently undergoing financial difficulties. It is not certain whether this is temporary or not and how this will affect collecting the rental income.

Note 4 –Prior Period Adjustment

In April 2004, the Authority constructed a medical clinic facility in Stroud, Oklahoma at a cost of \$530,439, funded largely by grant funds. The prior period adjustment represents the net entry to record the building's cost net of prior years' accumulated depreciation (\$81,721).

Note 5 –Capital Asset Activity

A summary of the changes in capital assets for the year ended June 30, 2011 is as follows:

	Balance June 30 ,2010	Additions	Disposals	Balance June 30 ,2011
Capital assets, being depreciated:				
Buildings	530,439			530,439
Total capital assets, being depreciated	<u>530,439</u>	<u>0</u>	<u>0</u>	<u>530,439</u>
Accumulated Depreciation				
Buildings	81,721	13,261	0	94,982
Total accumulated depreciation	<u>81,721</u>	<u>13,261</u>	<u>0</u>	<u>94,982</u>
Capital assets, net	<u>448,718</u>	<u>(13,261)</u>	<u>0</u>	<u>435,457</u>

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**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

I have audited the statement of net assets of Stroud Hospital Authority as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended and have issued my report thereon dated December 2, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Stroud Hospital Authority's (the "Authority") internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority'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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stroud Hospital 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*.

This report is intended solely for the information and use of management, the 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.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
December 2, 2011