

BRISTOW HOSPITAL AUTHORITY
BRISTOW, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Bristow Hospital Authority
Bristow, Oklahoma

I have audited the accompanying financial statements of the business-type activities of Bristow Hospital Authority, a component unit of City of Bristow, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Bristow Hospital Authority's basic financial statements. These financial statements are the responsibility of Bristow Hospital Authority's management. My responsibility is to express opinions 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.

As discussed in Note A, Bristow Hospital Authority prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the business-type activities of Bristow Hospital Authority as of June 30, 2012, and the respective changes in financial position-modified cash basis and cash flows where appropriate, thereof, for the year ended, in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2012, on my consideration of Bristow Hospital 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 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 my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 11, 2012

BRISTOW HOSPITAL AUTHORITY
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

ASSETS

Current assets:	
Cash and cash equivalents	\$ <u> 6,471</u>
Total current assets	<u> 6,471</u>
Total assets	<u> 6,471</u>

LIABILITIES

Current liabilities:	
Line of Credit	389,652
Notes payable	<u> 442,752</u>
Total current liabilities	<u> 832,404</u>
Non-current liabilities:	
Notes payable	<u> 1,626,895</u>
Total non-current liabilities	<u> 1,626,895</u>
Total liabilities	<u> 2,459,299</u>

NET ASSETS

Nonspendable	(2,459,299)
Committed	<u> 6,471</u>
Total net assets	<u>\$ (2,452,828)</u>

The accompanying notes are an integral part of this financial statement.

BRISTOW HOSPITAL AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES

Revenue	\$ <u> -</u>
TOTAL OPERATING REVENUE	<u> -</u>

EXPENSES

Bank fees and service charges	<u> 320</u>
TOTAL OPERATING EXPENSES	<u> 320</u>
OPERATING INCOME (LOSS)	<u> (320)</u>

NON-OPERATING REVENUE (EXPENSES)

Interest on notes payable	(109,365)
Transfers from hospital	80,000
Loan advances to hospital	(650,000)
Sales tax appropriation from City	<u>644,142</u>
Total non-operating revenue (expenses)	<u> (35,223)</u>
Net income (loss)	(35,543)
Total net assets, beginning	<u> (2,417,285)</u>
Total net assets, ending	<u> \$(2,452,828)</u>

The accompanying notes are an integral part of this financial statement.

BRISTOW HOSPITAL AUTHORITY
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Cash flows from operating activities	
Cash received from operations	\$ -
Cash payments to suppliers for goods and services	<u>(320)</u>
Net cash provided (used) by operating activities	<u>79,680</u>
Cash flows from capital and related financing activities	
Sales Tax appropriation from City	644,142
Transfers from hospital	80,000
Loan advances to hospital	(650,000)
Proceeds from debt	650,000
Interest paid on notes payable	(109,365)
Principal paid on notes payable	<u>(607,986)</u>
Net cash provided by capital and related financing activities	<u>(73,209)</u>
Net increase in cash and cash equivalents	6,471
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, ending	<u>\$ 6,471</u>
Reconciliation of income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	<u>\$ (570,320)</u>
Net cash provided by operating activities	<u>\$ (570,320)</u>

The accompanying notes are an integral part of this financial statement.

BRISTOW HOSPITAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bristow Hospital Authority (the Authority), a component unit of City of Bristow, was created April 20, 1982, under the provision of Title 60, Oklahoma Statutes 2001, Section 176-180.3, inclusive, as amended, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The beneficiary of the trust is City of Bristow, Oklahoma. The trust is managed by a nine member board, each of whom shall be the same persons, ex officio, who currently shall be the acting members of the legally-constituted governing body of City of Bristow, Oklahoma (the City). The City is separately audited by an Independent Auditor.

The primary purpose of the Authority is to provide medical services for the citizens within and near the area of City of Bristow, Oklahoma. The City leases hospital assets to the Authority through an operating lease. The Authority then subleases the assets to Bristow Medical Center Operating Company (the Operating Company) who contracts hospital operations to a third party. The Authority also obtains financing secured by sales tax appropriations for the Operating Company to assist in purchase of equipment, maintenance of the facilities, and other operating costs.

Government-Wide and Fund Financial Statements

The Authority is a special purpose governmental entity engaged only in business type activities. The Authority prepares financial statements required for enterprise funds.

Measurement Focus and Basis of Accounting

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

Measurement Focus

In the financial statements business-like activities are presented using the 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Fund equity is classified as net assets.

Basis of Accounting

In the financial statements, business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

BRISTOW HOSPITAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are *not recorded* in these financial statements. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

FUND TYPES AND MAJOR FUNDS

The Authority reports all activity within a single fund.

Budget

The Authority has not adopted an annual operating budget.

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.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. The Authority has not acquired inventory type items.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaids are not reported under the modified cash basis of accounting.

BRISTOW HOSPITAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Capital Assets, Depreciation, and Amortization

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations. Capital assets obtained for other government entities are considered as belonging to the other entity and not the Authority. These assets are included in Capital Leases Receivable and not depreciated.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

The Authority does not own capital assets at the present time. Capital assets used in operating the hospital are owned and reported by either the City of Bristow, Oklahoma or The Bristow Medical Center Operating Company.

Employee Benefits

The Authority does not have employees.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

BRISTOW HOSPITAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2012, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$6,471 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$6,471.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2012.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2012, the Authority's deposits consisted of demand deposits.

NOTE C - CAPITAL ASSETS

The Authority does not have capital assets to report. All land, facilities, and equipment are owned by the City of Bristow or The Bristow Medical Center Operating Company.

NOTE D - NOTE PAYABLE AND LINE OF CREDIT

The Authority has entered into long-term debt agreements in order to support the local hospital. The following is a summary of debt transactions of the Authority for the year ended June 30, 2012.

	Balance at <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2012</u>
Notes payable	\$ 1,754,153	\$ 634,514	\$ (319,020)	\$ 2,069,647
Line of Credit	<u>663,133</u>	<u>\$ 650,000</u>	<u>\$ (923,481)</u>	<u>\$ 389,652</u>
	<u>\$ 2,417,286</u>	<u>\$ 1,284,514</u>	<u>\$ (1,242,501)</u>	<u>\$ 2,459,299</u>

BRISTOW HOSPITAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

The long-term debt as of June 30, 2012 is as follows:

Spirit Bank, Bristow, in the original amount of \$2,017,000, to support Bristow Medical Center Operating Company, dated May 10, 2010, interest rate of 5.25%, term of 84 months, monthly installments of \$28,746, secured by 1 cent sales tax collected by the City of Bristow.	\$ 1,495,131
Spirit Bank, Bristow, in the original amount of \$634,514, to support Bristow Medical Center Operating Company, dated January 27, 2012, interest rate of 5.25%, term of 48 months, monthly installments of \$14,706, secured by 1 cent sales tax collected by the City of Bristow.	<u>574,516</u>
Notes payable	2,069,647
Spirit Bank, Bristow, open line of credit with a maximum amount of \$500,000, to support Bristow Medical Center Operating Company, interest rate of 5.25%, secured by 1 cent sales tax collected by the City of Bristow.	<u>389,652</u>
Total Debt	<u>\$ 2,459,299</u>

The annual debt service requirements, exclusive of the open line of credit, to retire the notes payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 422,752	\$ 98,672	\$ 521,424
2014	445,488	75,936	521,424
2015	469,447	51,977	521,424
2016	420,695	27,204	447,899
2017	<u>311,265</u>	<u>4,941</u>	<u>316,206</u>
Total	<u>\$ 2,069,647</u>	<u>\$ 258,730</u>	<u>\$ 2,328,377</u>

The Authority paid interest in the amount of \$109,365 on notes payable during the current fiscal year.

NOTE E - SALES TAX APPROPRIATION

The City of Bristow appropriates 1 cent of its 5 and one-half cent sales tax to pay the debt listed in Note D. The City is not obligated on the loans beyond the sales tax appropriation. The sales tax appropriation is to continue until the debt is paid.

NOTE F - 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 Bristow carries risk insurance, but the Authority is not covered by this policy.

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

To the Honorable Members of the Board of Trustees
Bristow Hospital Authority
Bristow, Oklahoma

I have audited the financial statements-modified cash basis of the business-type activities of Bristow Hospital Authority as of and for the year ended June 30, 2012, and have issued my report thereon dated September 11, 2012. 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 Bristow Hospital Authority's 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 Bristow Hospital Authority's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Bristow Hospital 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 Bristow Hospital Authority's financial statements-modified cash basis 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, Board of Trustees, 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.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 11, 2012