

BRISTOW INDUSTRIAL AUTHORITY
BRISTOW, OKLAHOMA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Directors
Bristow Industrial Authority
Bristow, Oklahoma

I have audited the accompanying financial statements of Bristow Industrial Authority (a component unit of City of Bristow, Oklahoma), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Bristow Industrial Authority's basic financial statements.

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 statement 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 our 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 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 judgement, 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 financial position of Bristow Industrial Authority as of December 31, 2016, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Bristow Industrial Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 13, 2019, on my consideration of Bristow Industrial 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.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 13, 2019

BRISTOW INDUSTRIAL AUTHORITY
 BRISTOW, OKLAHOMA
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
 DECEMBER 31, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 18,349
Investments	321,550
Lease receivable	<u>4,500</u>

Total current assets 344,399

Non-current assets

Deferred debt issue cost, net of amortization	1,121
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Capital assets:

Land	22,000
Other capital assets, net of accumulated depreciation	<u>415,766</u>

Total non-current assets 438,887

Total assets 783,286

LIABILITIES

Current liabilities:

Accrued interest payable	815
Notes payable, current	<u>39,978</u>

Total current liabilities 40,793

Non-current liabilities:

Notes payable, non-current	<u>166,038</u>
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Total non-current liabilities 166,038

Total liabilities 206,831

NET POSITION

Capital assets, net of related debt	232,056
Unrestricted	<u>344,399</u>

Net position of business-type activities \$ 576,455

See accompanying notes to financial statements.

BRISTOW INDUSTRIAL AUTHORITY
 BRISTOW, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES

Lease revenue	\$ 54,000
Total operating revenues	<u>54,000</u>

OPERATING EXPENSES

Amortization	408
Professional fees	1,800
Utilities	559
Memberships	5,350
Miscellaneous	-
Depreciation	<u>21,893</u>
Total operating expenses	<u>30,010</u>
Operating income (loss)	<u>23,990</u>

NON-OPERATING REVENUE (EXPENSES)

Investment income	2,112
Interest on notes payable and fees	<u>(12,469)</u>
Total non-operating revenue (expenses)	<u>(10,357)</u>
Income (loss)	13,633
Total net position, beginning	<u>562,822</u>
Total net position, ending	<u>\$ 576,455</u>

See accompanying notes to financial statements.

BRISTOW INDUSTRIAL AUTHORITY
 BRISTOW, OKLAHOMA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities	
Cash received from customers	\$ 54,000
Cash payments to suppliers for goods and services	<u>(7,709)</u>
Net cash provided (used) by operating activities	<u>46,291</u>
Cash flows from capital and related financing activities	
Interest paid on notes payable	(12,649)
Principal paid on notes payable	<u>(37,751)</u>
Net cash used for capital and related financing activities	<u>(50,400)</u>
Cash flows from investing activities	
Transferred (to) investments	(2,112)
Interest revenue	<u>2,112</u>
Net cash provided by investing activities	<u>-</u>
Net decrease in cash and cash equivalents	(4,109)
Cash and cash equivalents, beginning	<u>22,458</u>
Cash and cash equivalents, ending	<u><u>\$ 18,349</u></u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:	
Operating income (loss)	\$ 23,990
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	21,893
Changes in assets and liabilities:	
(Increase)/decrease in lease receivable	-
Decrease in deferred debt issue costs	<u>408</u>
Net cash provided by operating activities	<u><u>\$ 46,291</u></u>

See accompanying notes to financial statements.

BRISTOW INDUSTRIAL AUTHORITY
BRISTOW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bristow Industrial Authority (the Authority) is a public trust created July 21, 1967 under the provisions of Title 60, Oklahoma Statutes 1961, Section 176 to 180, inclusive. The Authority is a component unit of the City of Bristow, Oklahoma, beneficiary of the trust. The City and the Authority are related organizations. The City reports in separately audited financial statements. Administration for the Authority is provided by a seven member Board of Directors consisting of six members appointed by the City Council of Bristow plus the mayor of the City of Bristow. The City of Bristow provides financial assistance to the Authority by including the Authority's leased buildings in the City's insurance coverage. The primary purpose of the trust is to promote industrial development and provide additional employment to residents of the local area.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in the financial statements include revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPE

The Authority is a single-purpose governmental entity. It reports as a proprietary fund type. There are no funds or fund types except for this single purpose fund. The Authority leases buildings to industrial customers and assists in acquiring buildings for other potential industries.

BRISTOW INDUSTRIAL AUTHORITY
BRISTOW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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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. The investments reported in the financial statements consist of certificates of deposit.

Inventories

Inventories 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 maintained inventory records, however, the value of inventory on hand at December 31, 2016, although not known, is not believed to be material to the financial statements.

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 in the financial statements. 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 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.

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

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

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 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, 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 INDUSTRIAL AUTHORITY
BRISTOW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - CASH AND INVESTMENTS

A. 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 December 31, 2016, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

B. Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$339,899 at December 31, 2016. The bank balance of the deposits at December 31, 2016 was approximately \$339,899.

C. Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at December 31, 2016.

D. 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 December 31, 2016, the Authority's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED			Totals	Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment		
Business-type activities					
Balance, Dec. 31, 2015	\$ 1,311,916	\$ -	\$ 3,163	\$ 1,315,079	\$ 22,000
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, Dec. 31, 2016	<u>1,311,916</u>	<u>-</u>	<u>3,163</u>	<u>1,315,079</u>	<u>22,000</u>
Accumulated Depreciation					
Balance, Dec. 31, 2015	874,257	-	3,163	877,420	-
Increase	21,893	-	-	21,893	-
Decreases	-	-	-	-	-
Balance, Dec. 31, 2016	<u>896,150</u>	<u>-</u>	<u>3,163</u>	<u>899,313</u>	<u>-</u>
Business-type Activities Capital Assets, Net	<u>\$ 415,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,766</u>	<u>\$ 22,000</u>

BRISTOW INDUSTRIAL AUTHORITY
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NOTE D - NOTE PAYABLE

The Authority has incurred indebtedness related to its buildings. The following is a summary of note payable transactions for the year ended December 31, 2016.

	<u>Payable at Dec. 31, 2015</u>	<u>Addition/ Retirements</u>	<u>Balance at Dec. 31, 2016</u>
Spiritbank	\$ 243,767	\$ (37,751)	\$ 206,016
Total	<u>\$ 243,767</u>	<u>\$ (37,751)</u>	<u>\$ 206,016</u>

A brief description of the outstanding notes payable at December 31, 2016 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
Spiritbank loan dated October 5, 2004, original loan amount of \$550,000, interest rate 5.475%, principal and interest of \$4,200 per month, matures in October 2019	<u>\$ 206,016</u>

The annual debt service payments due over the next five years and thereafter are as follows.

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 39,978	\$ 10,422	\$ 50,400
2018	42,515	7,885	50,400
2019	<u>123,523</u>	<u>6,615</u>	<u>130,138</u>
Total	<u>\$ 206,016</u>	<u>\$ 24,922</u>	<u>\$ 230,938</u>

The note was paid off early in September 2018.

The Authority had debt issue costs of \$6,118 related to obtaining its loan dated October 5, 2004. The cost is amortized over the term of the loan. Amortization expense for the year ended December 31, 2016 was \$408. Accumulated amortization costs at December 31, 2016 totaled \$4,997.

NOTE E - LEASE REVENUE

Lease revenue of the Authority is from the lease of two buildings owned by the Authority. The Authority entered into a lease dated October 18, 2004 with a term of 15 years. Annual payments are \$54,000 (\$4,500 per month).

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NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due and unpaid from the lease of the Authority's buildings. Total receivables at December 31, 2016 were \$4,500. This amount was carried forward from fiscal year 2015.

NOTE G - 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 Authority carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events and contingencies through September 13, 2019, the date which financial statements were available. The Authority paid off the note referred to in Note D in September 2018.

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

To the Board of Directors
Bristow Industrial Authority
Bristow, 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 Bristow Industrial Authority, which comprise the statement of net position as of December 31, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year ended December 31, 2016, and the related notes to the financial statements, and have issued my report thereon dated September 13, 2019 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Bristow Industrial 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 Bristow Industrial Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of Bristow Industrial 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 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 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 Bristow Industrial 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 the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 13, 2019