

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**FINANCIAL STATEMENTS AND REPORTS
As of and for the Year Ending December 31, 2019**

**Audited by
Steven F. Cundiff, C.P.A., Inc.
Stillwater, Oklahoma**

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Payne County Economic Development Authority
Stillwater, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Payne County Economic Development Authority, a component unit of Payne County, State of Oklahoma, as of and for the year ended December 31, 2019, 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 the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 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 Authority'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 Authority'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 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 respective financial position of the business-type activities of the Payne County Economic Development Authority, a component unit of Payne County, State of Oklahoma, as of December 31, 2019, the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of Payne County Economic Development 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 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* in considering the Authority's internal control over financial reporting and compliance.

Steven F. Cundiff, CPA, Inc.

A handwritten signature in black ink that reads "Steven F. Cundiff, CPA, Inc." The signature is written in a cursive style.

January 27, 2020

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2019**

		Business-Type Activities
ASSETS		
Current assets:		
Cash and cash equivalents (note 1)		\$ 113,476.94
Total current assets		113,476.94
Other assets:		
Capital lease receivable: Glencoe Public School District: cash held by trustee bank		
Accrued interest receivable	\$ 54.30	
Rebate fund: cash and investments (note 1)	3,624.60	
Debt service fund: cash and investments (note 1)	48,492.02	
Total cash held by trustee bank		52,170.92
Capital lease receivable: Glencoe Public School District (note 4)		2,527,154.08
Capital lease receivable: Meridian Vo-Tech Public School District: cash held by trustee bank		
Accrued interest receivable	10,931.06	
Principal fund: cash and investments (note 1)	345.37	
Interest fund: cash and investments (note 1)	103.15	
Project fund: cash and investments (note 1)	12,686,392.71	
Total cash held by trustee bank		12,697,772.29
Capital lease receivable: Meridian Vo-Tech Public School District (note 4)		3,130,004.44
Total assets		\$ 18,520,578.67
LIABILITIES		
Current liabilities:		
Accrued interest payable 2014 Glencoe Public Schools	\$ 24,325.00	
Accrued interest payable 2018 Meridian Vo-Tech Public Schools	1,991,367.98	\$ 2,015,692.98
Current portion of revenue bonds payable		1,433,322.73
Total current liabilities		3,449,015.71
Long-term liabilities:		
Revenue bonds payable 2014 Glencoe Public Schools (note 6)	2,555,000.00	
Revenue bonds payable 2018 Meridian Vo-Tech Public Schools (note 6)	13,836,408.75	16,391,408.75
Less: current portion		(1,433,322.73)
Total long-term liabilities		14,958,086.02
Total liabilities		18,407,101.73
NET POSITION		
Unrestricted		113,476.94
Total net position		113,476.94
Total liabilities and net position		\$ 18,520,578.67

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

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
PROPRIETARY FUND**

For the Years Ended December 31, 2019

	<u>Business-Type Activities</u>
Operating revenues:	
Administrative trust management fee income	\$ 24,158.00
Rent income	1,864,559.32
Total operating revenues	<u>1,888,717.32</u>
Operating expenses:	
Administrative fees	6,210.00
Audit fee expense	3,500.00
Economic development community grants	26,471.32
Total operating expenses	<u>36,181.32</u>
Net income (loss) from operating activities	1,852,536.00
Non-operating revenue (expense)	
Interest income	219,197.32
Interest expense	<u>(2,077,202.17)</u>
Total non-operating revenue (expense)	<u>(1,858,004.85)</u>
Net income (loss) before transfers	(5,468.85)
Operating transfers in	-
Operating transfers out	<u>-</u>
Net income (loss)	(5,468.85)
Net position beginning of year	<u>118,945.79</u>
Net position end of year	<u>\$ 113,476.94</u>

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

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended December 31, 2019**

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from clients for operating revenues	\$ 1,961,048.00
Cash payments to suppliers for operating expenses	(36,181.32)
Net cash provided (used) by operating activities	1,924,866.68
CASH FLOWS FROM INVESTING ACTIVITIES	
(Purchase) of long-term investments	(3,990,874.91)
Proceeds from sales and maturities of long-term investments	3,765,604.04
Interest received	228,575.36
Net cash provided (used) by investing activities	3,304.49
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond proceeds	-
Principal paid on long-term bonds payable	(1,503,591.25)
Interest paid on debt	(430,048.77)
Net cash provided (used) by capital and related financing activities	(1,933,640.02)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	-
Operating transfers out	-
Net operating transfers	-
Net increase (decrease) in cash and cash equivalents	(5,468.85)
Total cash and cash equivalents, beginning of the year	118,945.79
Total cash and cash equivalents, end of the year	\$ 113,476.94
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,852,536.00
Changes in assets and liabilities:	
Capital lease receivable	72,330.68
Net cash provided by operating activities	\$ 1,924,866.68

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

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Summary of Significant Accounting Policies

A. Nature of Reporting Entity

The Payne County Economic Development Authority (the "Authority") is a public trust created under a Trust Indenture dated July 8, 1998, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive as amended and supplemental, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. Under these state provisions, the Authority has the ability to issue "tax exempt" bonds. Because of this ability to issue tax exempt bonds directly to the public, the Authority is being reported on as a governmental organization. The purpose of the Authority is to promote the economic growth and development of Payne County, State of Oklahoma.

The governing body of the Payne County Economic Development Authority is governed by three trustees who are the persons constituting the members of the Payne County Board of County Commissioners. The Payne County Clerk serves as a non-voting Secretary-Treasurer.

The Payne County Economic Development Authority is considered a component unit of Payne County, State of Oklahoma. The financial activities of Payne County and its other component units are not included in the financial statements of the Authority.

In evaluating how to define the authority, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the Authority's reporting entity.

On December 24, 2015, the Authority issued the Payne County Economic Development Authority Educational Facilities Lease Revenue Bonds Series 2014 (Glencoe Public Schools Project) in the amount of \$3,815,000.00. The purpose was to build a school building, school furniture, fixtures, and equipment. The facilities will be leased to Glencoe School District under a multi-year lease purchase agreement.

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

Summary of Significant Accounting Policies (continued)

Reporting Equity (continued)

The Authority receives an administrative fee from the Trustee bank for management of the Glencoe Public School Project. The authority also receives rental income from the School District for the lease/purchase of the new school building project.

On July 7, 2018, the Authority issued the Payne County Economic Development Authority Facilities Lease Revenue Note, Series 208 (Meridian Technology Center Project) in the amount of \$15,000,000.00. The purpose was to build a school building, school furniture, fixtures, and equipment. The facilities will be leased to Meridian Technology Center School District under a multi-year lease purchase agreement.

The Authority receives an administrative fee from the Trustee bank for management of the Meridian Technology Center Public School Project. The Authority also receives rental income from the School District for the lease/purchase of the new school building project.

The expenses of the Authority include professional services (audit fees, legal fees, and bond trustee fees) and the Authority periodically make grants to smaller Payne County Communities for economic development. In 2014, a community grant was made to the Perkins Community Foundation in the amount of \$30,000. In 2015, a community grant was made to the City of Glencoe, \$18,234.85 and a grant to the City of Cushing in the amount of \$24,869.98, and a grant to the City of Perkins in the amount of \$6,000.00. In 2016, various community grants were made for \$11,381.74. No grants were made in 2017. In 2018, the Authority made a community grant of \$2,375.00 to the City of Yale, \$15,000.00 to the City of Stillwater, \$38,150.67 to the City of Glencoe, \$7,000.00 to the City of Cushing, and four promotional economic grants for events totaling \$7,200.00. In 2019, the Authority made a community grant of \$9,660.75 to the City of Glencoe and two promotional economic grants for business facilities remodeling of \$16,810.57.

The Authority operates as an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities. These activities are financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The Authority operated no governmental fund types or fiduciary funds.

Professional standards require the presentation of the classification of the net position on the statement of net position in the following hierarchy: Nonspendable, restricted, committed, assigned, or unassigned. Net position is displayed in three components: net investments in capital assets, restricted net position, and unrestricted net position. The Authority used one fund which is a proprietary fund of a business-type activity as described above. Its net position is classified as unrestricted.

B. Measurement Focus and Basis of Accounting

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, business-like activities are presented using the economic resources measurement focus defined as: The proprietary fund utilizes an "economic resources" measurement focus. The accounting objective of this measurement focus are the determination of operating income, changes in net position (or cost recovery),

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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

Summary of Significant Accounting Policies (continued)
Measurement Focus and Basis of Accounting (continued)

financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the related liability is incurred.

C. Assets, Liabilities and Net Position

1. CASH AND CASH EQUIVALENTS – The Authority considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

a. Deposits and Investments – Oklahoma Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Authority can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

Custodial Credit Risk: At December 31, 2019, the Authority held unrestricted deposits of \$113,476.94 and other deposits of \$12,738,957.85 at financial institutions. The Authority's cash deposits are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Investment Interest Rate Risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk: The Authority has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, 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.
- b. Certificates of deposits 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.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT O PAYNE COUNTY, OKLAHOMA
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs(a-d).

The cash and investments held at December 31, 2019 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Cash and Investments				
Money Market	N/A	AAAm	\$ 113,476.94	\$ 113,476.94
Federated Government Obligations	N/A	N/A	<u>12,738,957.85</u>	<u>12,738,957.85</u>
Total cash and investments			<u>\$ 12,852,434.79</u>	<u>\$ 12,852,434.79</u>

Concentration of Investment Credit Risk: The Authority places no limit on the amount it may invest in any one issuer. The Authority has the following of credit risk: 1% in Money Market funds in the amount of \$113,476.94.

b. Other assets: Restricted Cash and Investments – The debt service fund cash and investments are the result of financial requirements of bond issues and consist of funds held in accounts with the Trustee banks. Under the terms and provisions of the Bond and Note Indenture, these special accounts and reserve funds are maintained for the benefit of the holders of the bonds and notes and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds and notes are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

c. Fair Value of Financial Instruments – The Authority’s financial instruments include cash and cash equivalents, temporary investments, interest and receivable. The Authority’s estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these instruments.

2. INVENTORIES – The Authority does not maintain any inventories.

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

Summary of Significant Accounting Policies (continued)

3. **CAPITAL ASSETS** – Additions of buildings and equipment are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. All items are capitalized in excess of \$2,000.00. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Depreciation for major movable equipment and building and improvements is computed on the straight-line method over useful lives of 5-20 years for equipment and 50 years for buildings and improvements. The Glencoe Public School building project was complete and placed in service December 31, 2017. Upon completion of the building project, construction in progress was converted to a capital lease receivable from the Glencoe Public School District of Oklahoma. The Meridian Technology Public School building project was under construction and not placed in service at December 31, 2018.

4. **CAPITAL LEASE RECEIVABLE** – In 2017, construction of the Glencoe School District building was completed and the building was rented to the Glencoe School District under a multi year lease arrangement. In 2018, construction of the Meridian Technology Center building project was started and not complete at year-end.

	<u>Balance</u> <u>12-31-18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12-31-19</u>
Capital Lease Receivable				
Glencoe School District	\$2,868,086.70	0.00	\$(340,932.62)	\$2,527,154.08
Capital Lease Receivable				
Meridian Tech Center	\$1,035,373.48	\$2,094,630.96	0.00	\$3,130,004.44

5. **LEASE AGREEMENT** – On December 1, 2014, the Authority entered into a lease agreement with the Glencoe School District of Payne County Oklahoma. The lease term is for one year, with option to renew each year. The schedule for the future lease payments is as follows:

<u>DATE</u>	<u>SEMI-ANNUAL</u> <u>RENT</u> <u>PAYMENTS</u>	<u>ANNUAL</u> <u>LEASE</u> <u>PAYMENTS</u>	<u>TOTAL ANNUAL</u> <u>PAYMENTS</u>
2020	3,000.00	435,300.00	438,300.00
2021	3,000.00	445,200.00	448,200.00
2022	3,000.00	460,050.00	463,050.00
2023	3,000.00	474,900.00	477,900.00
2024	3,000.00	484,800.00	487,800.00
2025	<u>1,500.00</u>	<u>499,650.00</u>	<u>501,150.00</u>
Totals	<u>\$ 16,500.00</u>	<u>\$ 2,799,900.00</u>	<u>\$ 2,816,400.00</u>

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

Summary of Significant Accounting Policies (continued)

On July 26, 2018, the Authority entered into a lease agreement with the Meridian Technology Center School District of Payne County Oklahoma. The lease term is for one year, with option to renew each year. The schedule for the future lease payments is as follows:

<u>DATE</u>	<u>ANNUAL LEASE PAYMENTS</u>
2020	1,513,440.00
2021	1,513,440.00
2022	1,513,440.00
2023	1,513,440.00
2024	1,513,440.00
2025	1,513,440.00
2026	1,513,440.00
2027	1,513,440.00
2028	1,513,440.00
2029	1,513,440.00
2030	<u>1,513,351.77</u>
Total	<u>\$ 16,647,751.77</u>

6. LONG-TERM DEBT – The Payne County Economic Development Authority Educational Facilities Lease Revenue Bonds (Glencoe Public Schools Project) Series 2014 were issued for building school buildings and furnishing school furniture, fixtures and equipment, for the benefit of the Glencoe School District.

The Authority’s long-term debt and amounts to be repaid from business-type activities are described below.

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
09/01/2020	2.500%	365,000
09/01/2021	2.625%	385,000
09/01/2022	2.750%	410,000
09/01/2023	3.000%	440,000
09/01/2024	3.000%	460,000
09/01/2025	3.125%	<u>495,000</u>
Total		\$ 2,555,000

The Payne County Economic Development Authority Educational Facilities Lease Revenue Note (Meridian Technology Center Public School Project) Series 2018 was issued for building a school building and furnishing school furniture, fixtures and equipment, for the benefit of the Meridian Technology Center School District.

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

Summary of Significant Accounting Policies (continued)

The Authority's long term debt and amounts to be repaid from business type activities are described below.

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
4-15-2030	3.217%	\$15,000,000.00

The following is a summary of long-term debt transactions of the Authority.

	<u>Balance Outstanding 12-31-18</u>	<u>Issued</u>	<u>Retired During Year</u>	<u>Balance Outstanding 12-31-19</u>	<u>Current Portion</u>	<u>Longterm Portion</u>
The Authority:						
Series 2014 Bond Debt	\$ 2,895,000.00	\$ 0.00	\$ 340,000.00	\$ 2,555,000.00	\$ 365,000.00	\$ 2,190,000.00
Series 2018 Note Debt	<u>15,000,000.00</u>	<u>0.00</u>	<u>1,163,591.25</u>	<u>13,836,408.75</u>	<u>1,068,322.73</u>	<u>12,768,086.02</u>
Total	<u>\$17,895,000.00</u>	<u>\$ 0.00</u>	<u>\$ 1,503,591.25</u>	<u>\$16,391,408.75</u>	<u>\$1,433,322.73</u>	<u>\$14,958,086.02</u>

7. INTERFUND RECEIVABLES AND PAYABLES – There were not interfund receivables or payables at December 31, 2019.

8. COMPENSATED ABSENCES – The Authority has no employees and thus does not provide sick leave or vacation. There is no recorded liability for compensated absences.

9. INCOME TAXES – The Payne County Economic Development Authority is a political subdivision of Payne County, which is a political subdivision of the State of Oklahoma, and therefore, is exempt from federal and state income taxes.

10. ENCUMBRANCES – Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the Authority. Appropriations not used or encumbered will lapse at the end of the year.

11. PROPERTY TAX REVENUES – The Authority is not authorized by state law to levy property taxes.

12. USE OF ESTIMATES - The preparation of financial statements in conformity with the generally accepted accounting principles require 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. Accordingly, actual results could differ from those estimates.

13. RISK MANAGEMENT – The Authority is exposed to various risks of loss related to general liability and torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Property insurance coverage is being provided through the Association of County Commissioners of Oklahoma Self-Insurance Group.

14. SUBSEQUENT EVENTS - Management has evaluated and disclosed relevant events January 27, 2020, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Steven F. Cundiff

Certified Public Accountant, Inc.

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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**

To the Board of Trustees
Payne County Economic Development Authority
Stillwater, Oklahoma

We have audited, 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, the financial statements of the business-type activities, of the Payne County Economic Development Authority, a component unit of Payne County, as listed in the Table of Contents, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Payne County Economic Development Authority's basic financial statements and have issued our report thereon dated January 27, 2020. We have included an explanatory paragraph in our report that stated management had not presented the Management's Discussion and Analysis and the budgetary information to supplement the financial statements as required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Payne County Economic Development Authority's internal control over financial reporting (internal control) to determine the auditing 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 Payne County Economic Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Payne County Economic Development 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 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 Payne County Economic Development Authority's financial statements are free of 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.

January 27, 2020

A handwritten signature in black ink that reads "Steven F. Cundiff, CPA, Inc." The signature is written in a cursive style.

Steven F. Cundiff, CPA Inc.