

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

**FINANCIAL STATEMENTS AND REPORTS
As of and for the Year Ending June 30, 2020**

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

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INDEPENDENT AUDITOR'S REPORT

To the Trustee
Payne County Facilities Authority
Stillwater, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Payne County Facilities Authority, a component unit of Payne County, State of Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Payne County Facilities Authority, a component unit of Payne County, State of Oklahoma, as of June 30, 2020, the respective changes in financial position and, where applicable, 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 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

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

June 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
<u>Independent Auditor's Report</u>	1
<u>Financial Statements</u>	3
<u>Statement</u>	
<u><i>Government-wide Financial Statements:</i></u>	
1 Statement of Net Position	4
2 Statement of Activities	5
<u><i>Fund Financial Statements:</i></u>	
3 Balance Sheet – Governmental Funds	6
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
5 Statement of Net Position – Proprietary Fund	8
6 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	9
7 Statement of Cash Flows – Proprietary Fund	10
<u>Notes to the Financial Statements</u>	11
<u>Required Supplementary Information</u>	20
<u>Exhibit</u>	
1 Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-Governmental Fund	24
<u>Other Supplemental Information</u>	25
<u>Schedule</u>	
1 Combining Schedule of Net Position – Enterprise Fund Accounts	26
2 Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund Accounts	27
<u>Reports Required by Government Auditing Standards:</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	28

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Payne County Facilities Authority's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of Payne County Facilities 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.

October 8, 2020

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

Steven F. Cundiff, CPA, Inc.

BASIC FINANCIAL STATEMENTS

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

STATEMENT OF NET POSITION
June 30, 2020

Statement 1

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents (note 2)	\$ -	\$ 9,079,969.13	\$ 9,079,969.13
Restricted cash: bond fund cash and cash equivalents (note 3)	-	2,320,985.90	2,320,985.90
Sales tax receivable	-	162,827.57	162,827.57
Accrued interest receivable	-	20.50	20.50
Total current assets	<u>-</u>	<u>11,563,803.10</u>	<u>11,563,803.10</u>
Total assets	<u>\$ -</u>	<u>\$ 11,563,803.10</u>	<u>\$ 11,563,803.10</u>
LIABILITIES			
Current liabilities:			
Accrued interest payable (note 6)	\$ -	\$ 21,623.04	\$ 21,623.04
Current portion of long-term debt	-	1,885,000.00	1,885,000.00
Total current liabilities	<u>-</u>	<u>1,906,623.04</u>	<u>1,906,623.04</u>
Noncurrent liabilities:			
Long-term debt:			
Sales tax revenue note payable (note 6)	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>1,906,623.04</u>	<u>1,906,623.04</u>
NET POSITION			
Restricted for debt service	-	2,320,985.90	2,320,985.90
Unrestricted	-	7,336,194.16	7,336,194.16
Total net position	<u>\$ -</u>	<u>\$ 9,657,180.06</u>	<u>\$ 9,657,180.06</u>

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

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs					Statement 2		
	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals
		Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Government Activities	Business-type Activities	
Governmental activities:							
Facility acquisitions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total governmental activities	-	-	-	-	-	-	-
Business-type activities:							
Interest expense	129,280.10	-	-	-	-	(129,280.10)	(129,280.10)
Facility operations	1,610,933.13	-	-	-	-	(1,610,933.13)	(1,610,933.13)
Total business-type activities	1,740,213.23	-	-	-	-	(1,740,213.23)	(1,740,213.23)
Total	<u>\$ 1,740,213.23</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,740,213.23)</u>	<u>\$ (1,740,213.23)</u>
General revenues:							
Investment income					\$ 143,620.77	\$ 21,441.33	\$ 165,062.10
Sales tax					3,210,785.06	-	3,210,785.06
Transfers - internal activity					(3,354,405.83)	3,354,405.83	-
Total general revenues and transfers					<u>-</u>	<u>3,375,847.16</u>	<u>3,375,847.16</u>
Change in net position					-	1,635,633.93	1,635,633.93
Net position - beginning of the year					<u>-</u>	<u>8,021,546.13</u>	<u>8,021,546.13</u>
Net position - end of the year					<u>\$ -</u>	<u>\$ 9,657,180.06</u>	<u>\$ 9,657,180.06</u>

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

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

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2020**

Statement 3

Governmental
Fund Type
Special Revenue
Fund

ASSETS

Current assets:

Cash and cash equivalents (note 2)

Accrued interest receivable

Total current assets

\$ -
-
_____ -

Total assets

\$ -

LIABILITIES

Current liabilities:

Accrued interest payable

Accounts payable

Total current liabilities

\$ -
-
_____ -

Total liabilities

-

FUND BALANCE

Unassigned

Total fund balance

-
\$ -

Total fund balance - total governmental funds

\$ -

Amounts reported for governmental activities in the statement of net assets are different because:

No current differences between fund balance and net assets

-

Net assets of governmental activities

\$ -

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

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2020

Statement 4

Governmental Fund Type
Special Revenue Fund

Operating revenues:	
Interest income	\$ 143,620.77
Limited purpose sales tax revenue	3,210,785.06
Total operating revenues	<u>3,354,405.83</u>
Operating expenses:	
Administrative costs	-
Operating expense	-
Total expenditures	<u>-</u>
Net operating income	3,354,405.83
Nonoperating revenue (expense)	
Interest income	-
Interest expense	-
Total nonoperating revenue (expense)	<u>-</u>
Net income before transfers	3,354,405.83
Operating transfers in	-
Operating transfers out	<u>(3,354,405.83)</u>
Net income	-
Fund balance beginning of year: unassigned	<u>-</u>
Fund balance end of year: unassigned	<u><u>\$ -</u></u>

Net change in fund balances - total governmental funds **\$ -**

Amounts reported for governmental activities in the statement of activities are different because:

No current differences between net change in fund balance and change in net assets

Net assets of governmental activities

\$ -

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

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

**STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020**

Statement 5

	Enterprise Fund
	<hr/>
ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	\$ 9,079,969.13
Restricted cash and cash equivalents (note 3)	2,320,985.90
Total cash and cash equivalents	<hr/> 11,400,955.03
Sales tax receivable	162,827.57
Accrued interest receivable	20.50
Total current assets	<hr/> 11,563,803.10
 Total assets	 <hr/> <hr/> \$ 11,563,803.10
LIABILITIES	
Current liabilities:	
Accrued interest payable (note 6)	\$ 21,623.04
Current portion of long-term debt	1,885,000.00
Total current liabilities	<hr/> 1,906,623.04
Noncurrent liabilities:	
Long-term debt:	
Sales tax revenue note payable (note 6)	<hr/> -
Total noncurrent liabilities	<hr/> -
 Total liabilities	 <hr/> 1,906,623.04
NET POSITION	
Restricted for debt service	2,299,381.38
Unrestricted	7,357,798.68
Total net position	<hr/> 9,657,180.06
 Total liabilities and net position	 <hr/> <hr/> \$ 11,563,803.10

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

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2020**

	Statement 6
	Enterprise Fund
Operating revenues:	
Miscellaneous revenue	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
Facilities operating costs	1,610,933.13
Construction/repairs expense	-
Total expenditures	<u>1,610,933.13</u>
Net operating income	(1,610,933.13)
Nonoperating revenue (expense)	
Interest income	21,441.33
Interest expense	<u>(129,280.10)</u>
Total nonoperating revenue (expense)	<u>(107,838.77)</u>
Net income before transfers	(1,718,771.90)
Operating transfers in	3,354,405.83
Operating transfers out	<u>-</u>
Net income	1,635,633.93
Net position beginning of year: unrestricted	<u>8,021,546.13</u>
Net position end of year: unrestricted	<u><u>\$ 9,657,180.06</u></u>

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

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2020**

	Statement 7
	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts for services	-
Cash payments to suppliers	<u>\$ (1,610,933.13)</u>
Net cash provided (used) by operating activities	<u>(1,610,933.13)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	3,353,268.93
Operating transfers out	-
Net operating transfers	<u>3,353,268.93</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(1,785,000.00)
Interest paid on debt	<u>(149,756.04)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,934,756.04)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	24,811.15
Net cash provided (used) by investing activities	<u>24,811.15</u>
Net increase (decrease) in cash and cash equivalents	(167,609.09)
Total cash and cash equivalents, beginning of the year	<u>11,568,564.12</u>
Total cash and cash equivalents, end of year	<u><u>\$ 11,400,955.03</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (1,610,933.13)
Changes in assets and liabilities:	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,610,933.13)</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies

A. Nature of Reporting Entity

The Payne County Facilities Authority (the "Authority") is a public trust created under a Trust Indenture dated October 2, 2000, under the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180.4, inclusive as amended and supplemental, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Payne County Facilities Authority, as a public trust created under the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180.4, 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 provide funds to design, contract, equip and furnish a new county administrative building and county jail, and to make renovations to the existing county courthouse.

The governing body of the Payne County Facilities 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.

The Payne County Facilities Authority, by virtue of control and dependency, is considered a component unit of Payne County, 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 in the Authority's reporting entity.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of presentation

Government-wide Financial Statements:

The Statements of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Fund Balance:

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

- **Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.
- **Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Board of Trustees is the highest level of decision-making authority of the Authority.
- **Assigned** fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund* that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.
- **Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

The Authority has presented the classification of the fund balance on the balance sheet in the following hierarchy: The Authority's Special Revenue Fund balance is classified as unassigned and the Authority's Enterprise Fund's net position balance is classified as restricted for debt service for the bond fund portion and unassigned for the construction fund portion.

Net Position:

Net position is displayed in three components: net investments in capital assets, restricted net position, and unrestricted net position.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

Summary of Significant Accounting Policies (continued)

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of spendable financial resources at the end of the period.
- b. 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), 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.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

C. Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Governmental: Special Revenue Funds

Limited Purpose Sales Tax Fund: Monies in the Limited Purpose Sales Tax Fund are derived from the limited purpose sales tax collected by Payne County and is used for funding the requirements of the Trust Indenture.

Proprietary: Enterprise Funds

Bond Fund: Monies in the Bond Fund are derived from transfers from the Limited Purpose Sales Tax Fund and investment income and are used for debt service. The Bond Fund will operate as a sinking fund.

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Construction and Jail Operation Fund: Monies in the Construction Fund are derived from the sale of bonds and investment income and are used for project costs and jail operations.

Fiduciary Fund: Payne County Facilities Authority did not operate any fiduciary funds.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental type funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized at the time the related fund liability is incurred.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

E. Budgets and Budgetary Accounting

The Authority adopted budget for the special revenue fund is the amount of the required annual debt service.

F. Assets, Liabilities and Fund Equity

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.

Investments - The authority had no investments at June 30, 2020.

Property Tax Revenues - The Authority is not authorized by state law to levy property taxes.

Inventories - The Authority had no inventory at June 30, 2020.

Fixed Assets and Property, Plant and Equipment - The Authority completed a building project for a new administrative building for Payne County. The project was completed as of June 30, 2003. The Authority transferred the building to Payne County on June 30, 2003. The amount of the building transfer was \$4,208,300.95.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity (continued)

The Authority completed a project of renovating the old courthouse building for a judicial center for Payne County. The project was completed as of June 30, 2006. The Authority transferred the building to Payne County on June 30, 2006. The amount of the building transfer was \$3,929,629.88.

The Authority completed a project of building a new jail facility for Payne County. The project was completed as of June 30, 2012. The Authority transferred the jail facility building to Payne County on June 30, 2012. The amount of the building transfer was \$18,028,057.27

The Authority completed the final renovation of the courthouse. The Authority transferred the renovation project to Payne County on June 30, 2012. The amount of the building transfer was \$1,503,946.72.

Long-term Debt - Long-term debt is recognized as a liability of the enterprise fund.

Compensated Absences

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

Fund Balance - Fund balance represents the funds not encumbered by vendor invoices or legal contracts.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Income Taxes – The Payne County Facilities 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.

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.

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity (continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Accordingly, actual results could differ from those estimates.

2. Cash and Investments

The Authority's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies.

Deposits and Investments – Custodian Credit Risk – The Authority's cash deposits and investments at June 30, 2020, were completely insured or collateralized by federal deposit insurance or direct obligations of the U.S. Government.

<u>Type</u>	<u>Average Maturity Months</u>	<u>Credit Rating</u>	<u>Credit Risk</u>	<u>Total Deposits</u>	<u>Insured by FDIC</u>	<u>Uninsured by FDIC</u>	
						<u>Collateralized by Securities</u>	<u>Uncollateralized</u>
Checking	NA	AAAm	0%	\$ 1.00	\$ 1.00	\$ 0.00	\$ 0.00
Money Market	NA	AAAm	100%	<u>\$ 11,400,954.03</u>	<u>\$ 999,999.00</u>	<u>\$ 10,400,955.03</u>	<u>\$ 0.00</u>
				<u>\$ 11,400,955.03</u>	<u>\$ 1,000,000.00</u>	<u>\$ 10,400,955.03</u>	<u>\$ 0.00</u>

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:

- 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.
- 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.
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- 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 FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

Cash and Investments (continued)

- 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.
- Money Market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs.

Concentration of Investment Credit Risk: The Authority places no limit on the amount it may invest in any one issuer.

3. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in accounts with the Trustee bank. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained for the benefit of the holders of the bonds 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 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.

4. Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, temporary investments, interest receivable and accounts payable. 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 balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

5. Interfund Receivables and Payables

There were no interfund receivables or payables at June 30, 2020.

6. General Long-term Debt

A Sales Tax Revenue Note Series 2006 was executed by the Authority in the amount of \$17,730,000.00 for the construction of new jail facilities for Payne County. This note is required to be fully paid serially over the next fifteen years. Debt service requirements for the note are payable solely from fund balance and future revenues of the one-quarter of one percent (1/4%) sales tax imposed on Payne County. The Authority has created a security interest in the Sales Tax Revenue of Payne County. The County collects the sales tax monthly and remits it monthly to the Authority.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

General Long-term Debt (continued)

Therefore, the amount of resources available for debt service at June 30, 2020 is calculated as:

Payne County Facilities Authority		
cash account	\$ 9,079,969.13	
Payne County Facilities Authority		
cash accounts held by trustee bank	<u>2,320,985.90</u>	
Total cash available for debt service		<u>\$ 11,400,955.03</u>
Amount of annual debt service for 2020-21:		
Sales Tax Revenue Note Series 2006		<u>\$ 1,950,772.00</u>

Ratio of resources available to annual debt service requirements for 2020-21 5.84

During the past six years, the Authority's Treasurer declared a surplus in the Payne County Limited Purpose Sales Tax 2006 restricted special revenue fund and paid for operating expenses for the Payne County Jail. The following is a historical summary of those expenditures:

June 30, 2015	\$ 600,000.00
June 30, 2016	0.00
June 30, 2017	286,782.96
June 30, 2018	800,000.00
June 30, 2019	890,597.72
June 30, 2020	<u>1,600,000.00</u>

Total historical expenses paid out of the fund
to support the jail operations \$ 4,177,380.68

The following is a summary of the long-term debt transactions of the Authority for the year ended June 30, 2020:

	Sales Tax Revenue Note Series 2006	Current Portion	Long-term Portion
Balance, July 1, 2019	\$ 3,670,000.00		
Additions	0.00		
Retirements	<u>(1,785,000.00)</u>		
Balance June 30, 2020	<u>\$ 1,885,000.00</u>	<u>\$ 1,885,000.00</u>	<u>\$ 0.00</u>

A brief description of the outstanding Sales Tax Revenue Note Series 2006 at June 30, 2020 is set forth below:

Date of Issue	Bond Interest Rate	Bond Due Date	Total Amount Outstanding	Annual Increments
6-2-06	4.64%	10-1-20	935,000.00	
6-2-06	4.64%	4-1-21	<u>950,000.00</u>	<u>1,885,000.00</u>
		Total		<u>\$1,885,000.00</u>

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

General Long-term Debt (continued)

The annual debt service requirements for retirements of the Sales Tax Revenue Note Series 2006 note principal and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2021	\$ 1,885,000.00	\$ 65,772.00	\$ 1,950,772.00
Total	\$ 1,885,000.00	\$ 65,772.00	\$ 1,950,772.00

Accrued interest payable on the general long-term debt incurred during the year ending June 30, 2020 was:

	Total
Accrued interest payable	\$ 21,623.04
Interest expense for the year	\$ 129,280.10

7. Revenues, Expenditures, and Expenses

Sales Tax Revenues – The Authority receives sales tax revenue from Payne County under a debt service agreement with the long term debt Bond Holders. The Authority receives sales tax revenue from Payne County under a debt service agreement with the Bank of Oklahoma. This sales tax revenue is one-fourth of one percent (1/4%) for all county sales for the Sales Tax Revenue Note Series 2006.

Interest income – The Authority receives interest on temporary investments made during the year in the debt service funds.

Expenditures and expense – The Authority expenses include administrative fees for the trustee, annual audit fee, and interest expense. The Authority has no employees or payroll costs.

8. Transfers

Operating transactions

	<u>Transfers In</u>	<u>Transfers out</u>
Special revenue fund:		
Enterprise fund	\$ 0.00	\$ 3,354,405.83
Enterprise fund:		
Special revenue fund	3,354,405.83	0.00
Total	\$ 3,354,405.83	\$ 3,354,405.83

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

9. Risk management

Insurance coverage – Payne County provides all insurance coverage for the Authority.

10. Subsequent Events

Subsequent events have been evaluated through October 8, 2020, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GOVERNMENTAL FUND

For the Year Ended June 30, 2020

Exhibit 1

	<u>Governmental Fund Types</u>		
	<u>Special Revenue Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Interest income	\$ -	\$ 143,620.77	\$ 143,620.77
Limited purpose sales tax revenue	3,210,785.06	3,210,785.06	-
Total operating revenues	<u>3,210,785.06</u>	<u>3,354,405.83</u>	<u>143,620.77</u>
Operating expenses:			
Administrative costs	-	-	-
Operating expense	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net operating income	3,210,785.06	3,354,405.83	143,620.77
Nonoperating revenue (expense)			
Interest income	-	-	-
Interest expense	-	-	-
Total nonoperating revenue (expense)	<u>-</u>	<u>-</u>	<u>-</u>
Net income before transfers	3,210,785.06	3,354,405.83	143,620.77
Operating transfers in	-	-	-
Operating transfers out	<u>(3,210,785.06)</u>	<u>(3,354,405.83)</u>	<u>(143,620.77)</u>
Net income	-	-	-
Fund balance beginning of year: unassigned	-	-	-
Fund balance end of year: unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER SUPPLEMENTARY INFORMATION

PAYNE COUNTY FACILITIES AUTHORITY
A COMPONENT UNIT OF PAYNE COUNTY, OKLAHOMA
Stillwater, Oklahoma

COMBINING SCHEDULE OF NET POSITION
ENTERPRISE FUND ACCOUNTS
June 30, 2020

	Construction and Jail Operations Fund	Bond Fund	Schedule 1 Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,079,969.13	\$ -	\$ 9,079,969.13
Restricted assets: bond fund cash and cash equivalents		2,320,985.90	2,320,985.90
Sales tax receivable	162,827.57	-	162,827.57
Accrued interest receivable	1.98	18.52	20.50
Total current assets	<u>9,242,798.68</u>	<u>2,321,004.42</u>	<u>11,563,803.10</u>
Total assets	<u>\$ 9,242,798.68</u>	<u>\$ 2,321,004.42</u>	<u>\$ 11,563,803.10</u>
LIABILITIES			
Current liabilities:			
Accrued interest payable	\$ -	\$ 21,623.04	\$ 21,623.04
Current portion of long-term debt	1,885,000.00	-	1,885,000.00
Total current liabilities	<u>1,885,000.00</u>	<u>21,623.04</u>	<u>1,906,623.04</u>
Noncurrent liabilities:			
Long-term debt:			
Sales tax revenue note payable series 2006	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,885,000.00</u>	<u>21,623.04</u>	<u>1,906,623.04</u>
NET POSITION			
Restricted for debt service	-	2,299,381.38	2,299,381.38
Unrestricted	7,357,798.68	-	7,357,798.68
Total net position	<u>7,357,798.68</u>	<u>2,299,381.38</u>	<u>9,657,180.06</u>
Total liabilities and net position	<u>\$ 9,242,798.68</u>	<u>\$ 2,321,004.42</u>	<u>\$ 11,563,803.10</u>

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

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUND ACCOUNTS
For the Year Ended June 30, 2020**

	Construction and Jail Operations Fund	Bond Fund	Schedule 2 Total
Operating revenues:			
Miscellaneous revenue	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
Operating expenses:			
Facilities operating costs	1,610,933.13	-	1,610,933.13
Construction/repairs expense	-	-	-
Total expenditures	1,610,933.13	-	1,610,933.13
Net operating income	(1,610,933.13)	-	(1,610,933.13)
Nonoperating revenue (expense)			
Interest income	2,160.59	19,280.74	21,441.33
Interest expense	-	(129,280.10)	(129,280.10)
Total nonoperating revenue (expense)	2,160.59	(109,999.36)	(107,838.77)
Net income before transfers	(1,608,772.54)	(109,999.36)	(1,718,771.90)
Operating transfers in	-	3,354,405.83	3,354,405.83
Operating transfers in/out	3,214,210.49	(3,214,210.49)	-
Net income	1,605,437.95	30,195.98	1,635,633.93
Net position beginning of year			
Restricted for debt service	-	2,269,185.40	2,269,185.40
Unassigned	5,752,360.73	-	5,752,360.73
Total net position beginning of year	5,752,360.73	2,269,185.40	8,021,546.13
Net position end of year			
Restricted for debt service	-	2,299,381.38	2,299,381.38
Unrestricted	7,357,798.68	-	7,357,798.68
Total net position end of year	\$ 7,357,798.68	\$ 2,299,381.38	\$ 9,657,180.06

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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 COMBINED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Payne County Facilities 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 governmental activities, the business-type activities, and each major fund of the Payne County Facilities Authority, a component unit of Payne County, as listed in the Table of Contents, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Payne County Facilities Authority's basic financial statements and have issued our report thereon dated October 8, 2020. We have included an explanatory paragraph in our report that stated management had not presented the Management's Discussion and Analysis to supplement the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Payne County Facilities 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 Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Payne County Facilities 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 the 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 Facilities 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.

October 8, 2020

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

Steven F. Cundiff, CPA Inc.