

**FINANCIAL STATEMENTS AND REPORTS OF THE
PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STILLWATER, OKLAHOMA**

DECEMBER 31, 2012

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

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STILLWATER, OKLAHOMA
December 31, 2012**

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Independent Auditor's Report

To the Trustee
Payne County Economic Development Authority
Stillwater, Oklahoma

We have audited the accompanying cash basis 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, 2012, 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 cash basis of accounting described in Note B. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 cash basis 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, 2012, the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note B.

Other Matters

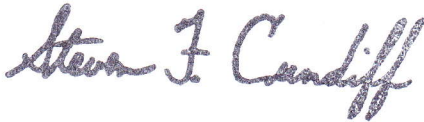
Management has omitted the Management's Discussion and Analysis and the budgetary information that the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, require to be presented to supplement the basic financial 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 June 28, 2013, 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.

Basis of Accounting

We draw attention to Note B of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

A handwritten signature in dark ink, reading "Steven F. Cundiff". The signature is written in a cursive, flowing style.

Steven F. Cundiff, CPA, Inc.

June 28, 2013

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION-CASH BASIS
PROPRIETARY FUND
December 31, 2012

		Business-Type Activities
	ASSETS	
Current assets:		
Cash and cash equivalents (note 2)		\$ 383,791.06
Total current assets		<u>383,791.06</u>
Total assets		<u><u>\$ 383,791.06</u></u>
	LIABILITIES	
Current liabilities:		
Total current liabilities		<u>\$ -</u>
Total liabilities		<u>-</u>
	NET POSITION	
Unassigned		<u>383,791.06</u>
Total net position		<u>383,791.06</u>
Total liabilities and net position		<u><u>\$ 383,791.06</u></u>

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

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-CASH BASIS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2012

	Business-Type Activities
Operating revenues:	
Treasurers administrative fee income	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
Administrative fees	-
Operating expense	6,189.00
Total operating expenses	<u>6,189.00</u>
Net income (loss) from operating activities	(6,189.00)
Non-operating revenue (expense)	
Interest income	2,732.18
Interest expense	<u>-</u>
Total non-operating revenue (expense)	<u>2,732.18</u>
Net income (loss) before transfers	(3,456.82)
Operating transfers in	-
Operating transfers out	<u>-</u>
Net income (loss)	(3,456.82)
Net position beginning of year:	
Unassigned	<u>387,247.88</u>
Net position end of year:	
Unassigned	<u><u>\$ 383,791.06</u></u>

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

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2012

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from Treasurers administrative fees	\$ -
Cash paid for operating expenses	(6,189.00)
Net cash provided (used) by operating activities	<u>(6,189.00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from current investments	-
Proceeds from sales and maturities of long-term investments	334,542.96
Interest received	2,732.18
Net cash provided (used) by investing activities	<u>337,275.14</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term bonds payable	-
Interest paid on debt	-
Net cash provided (used) by capital and related financing activities	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	-
Operating transfers out	-
Net operating transfers	<u>-</u>
Net increase (decrease) in cash and cash equivalents	331,086.14
Total cash and cash equivalents, beginning of the year	<u>52,704.92</u>
Total cash and cash equivalents, end of the year	<u><u>\$ 383,791.06</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (6,189.00)
Changes in assets and liabilities:	
Accrued revenue receivable	-
Accounts payable	-
Net cash provided by operating activities	<u><u>\$ (6,189.00)</u></u>

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

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies

A. 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 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. 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.

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.

The Authority is operated in a manner similar to a private business enterprise. Administrative fee revenue was received from Oklahoma State University to provide financing opportunities for various construction projects for the University and the OSU Alumni Association starting in 1999 and ceased in 2011. Expenses include professional services and occasionally a grant to smaller Payne County communities for economic development. No such grants were awarded this year.

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Summary of Significant Accounting Policies (continued)

Reporting Equity (continued)

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 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. The Authority used one fund which is a proprietary fund of a business-type activity as described above. Its net position is classified as unassigned.

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), 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 Assets and Statement of Activities, business-like activities are presented using the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues are recognized when received and expenses are recorded when paid.

C. Assets, Liabilities and Net Position

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.

Use of Estimates - The preparation of financial statements in conformity with the cash basis of accounting does not 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.

**PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

2. Cash and Investments

The Authority's cash balance at December 31, 2012, is entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government issued or collateralized with securities held by the Authority or by its agent in the Authority's name. The Authority has liquidated its investment in a bank certificate of deposit during the year and has no investments at December 31, 2012.

3. Interfund Receivables and Payables

There were no interfund receivables or payables at December 31, 2012.

4. Subsequent Events

Management has evaluated and disclosed relevant events June 26, 2013, which is the date the financial statements were available to be issued.

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

To the Trustee
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, 2012, 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 June 28, 2013. 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.

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 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 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.

June 28, 2013

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

Steven F. Cundiff, CPA Inc.